

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

FINANCIAL AND COMPLIANCE REPORT

YEAR ENDED JUNE 30, 2009

State of South Carolina



Office of the State Auditor

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January 27, 2010

The Honorable Mark Sanford, 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, 2009, was issued by Rogers Laban, PA, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

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

Respectfully submitted,

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

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

RHGjr/cwc

**SOUTH CAROLINA
EDUCATIONAL TELEVISION COMMISSION**

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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, 2009 as a narrative overview and analysis. We encourage readers to consider this information in conjunction with the Commission’s financial statements, which follow.

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

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

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

The *Fund Financial Statements* provide information on the Commission’s funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the Commission’s funds are classified as Governmental funds. The Commission’s governmental funds include the General Fund and Other Governmental Funds.

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

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

Statement of Net Assets

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

The assets of the Commission exceeded its liabilities by \$45.9 million at fiscal year ending June 30, 2009 (See Table 1 below for a summary of net assets for fiscal years 2008-2009 and 2007-2008). Of this amount, \$3.5 million was reported as "unrestricted net assets." Unrestricted net assets represent the amount available to be used to meet the Commission's ongoing obligations.

Condensed Statement of Net Assets	2009	2008	Increase / (Decrease)	Percent Change
ASSETS				
Current Assets	\$ 9,976,943	\$ 12,495,543	\$ (2,518,600)	(20.16%)
Capital Assets, net of accumulated depreciation	40,884,752	44,506,834	(3,622,082)	(8.14%)
Prepaid Expenses, net of current portion	134,403	224,081	(89,678)	(40.02%)
Total Assets	<u>\$ 50,996,098</u>	<u>\$ 57,226,458</u>	<u>\$ (6,230,360)</u>	(10.89%)
LIABILITIES				
Current Liabilities	\$ 4,673,710	\$ 6,036,497	\$ (1,362,787)	(22.58%)
Noncurrent Liabilities	391,273	636,151	(244,878)	(38.49%)
Total Liabilities	<u>5,064,983</u>	<u>6,672,648</u>	<u>(1,607,665)</u>	(24.09%)
NET ASSETS				
Capital Assets, net of related debt	40,884,752	44,506,834	(3,622,082)	(8.14%)
Restricted	1,549,349	2,424,144	(874,795)	(36.09%)
Unrestricted	3,497,014	3,622,832	(125,818)	(3.47%)
Total Net Assets	<u>45,931,115</u>	<u>50,553,810</u>	<u>(4,622,695)</u>	(9.14%)
Total Liabilities and Net Assets	<u>\$ 50,996,098</u>	<u>\$ 57,226,458</u>	<u>\$ (6,230,360)</u>	(10.89%)

Total assets of the Commission decreased by \$6.2 million. Current assets decreased by \$2.5 million. Cash and cash equivalents were \$1.7 million less than the previous year and accounts and intergovernmental receivables decreased \$856 thousand. Capital assets decreased \$3.6 million due to capital asset retirements and an increase in accumulated depreciation. Capital asset retirements were mainly for analog television equipment no

longer usable after the switch to a digital broadcast signal. The Commission shows a prepaid expense balance for two tower leases paid from Lottery Funds and the General Fund.

The decrease in current liabilities is primarily attributable to a decrease in deferred revenue and accrued salaries and benefits in current liabilities from the previous fiscal year. Accrued salaries and benefits decreased as the result of reductions in temporary and full time employees. The decrease in non-current liabilities can be attributed to a reduction in accrued compensated absences and the Corporation for Public Broadcasting grant disallowance payback is now shown as a current liability on the Statement of Net Assets.

Net assets of the Commission decreased during the year by \$4.6 million. Restricted net assets decreased by \$875 thousand. Restricted asset balances related to general fund appropriations carried forward to SFY 2009-10 for satellite services (\$137 thousand), K-12 Technology initiatives (\$822 thousand) and Radio and Television transmissions (\$179 thousand). Unrestricted net assets used to meet the Commission's ongoing obligations showed a slight decrease of \$126 thousand.

Statement of Activities

This statement represents the program revenues and expenses, as well as any general revenue that the Commission receives. The purpose of this statement is to present the reader with information relating to revenues earned and expenses incurred during the fiscal year ending June 30, 2009.

Program revenues for the commission are classified in two categories: Charges for Services and Operating Grants. Charges for services are received for providing services to the various customers and constituencies of the Commission. Operating grants are primarily made up of the Community Service Grants received from the Corporation for Public Broadcasting and private grants. Operating grants are used in the ongoing operations of the Commission. Capital grants are grants used for the purchase or construction of capital assets. Program revenue from all sources during the fiscal year totaled \$7.2 million. General revenues are classified as State Appropriations, Capital Reserve Fund Appropriations, Contributions and Interest. Contributions include contributed support from the ETV Endowment. General revenue for the fiscal year totaled \$18.6 million.

Expenses for the Commission are shown under the category of Educational Broadcasting and are classified as Personal Services, Other Operating and Depreciation. Personal Service costs were \$12.5 million (41%). Other operating costs totaled \$14.8 million (49%). Depreciation costs totaled \$3.1 million (10%). The Statement of Activities reflects a decrease in net assets for the current fiscal year (See Table 2 for a comparison of revenues, expenses and changes in net assets for fiscal years 2008-2009 and 2007-2008).

	<u>2009</u>	<u>2008</u>	<u>Increase / (Decrease)</u>	<u>Percent Change</u>
REVENUES				
Program Revenues:				
Charges for Services	\$ 2,610,459	\$ 2,367,751	\$ 242,708	10.25%
Operating grants & contributions	4,577,426	4,818,310	(240,884)	(5.00%)
General Revenues:				
State Appropriations	12,773,450	18,799,714	(6,026,264)	(32.06%)
Capital Reserve Fund Appropriation	-	821,856	(821,856)	(100.00%)
Contributions	5,800,352	4,747,133	1,053,219	22.19%
Interest	1	-	1	100.00%
Lapsed General Fund Appropriation	-	(308,631)	308,631	(100.00%)
Total Revenues	<u>25,761,688</u>	<u>31,246,133</u>	<u>(5,484,445)</u>	<u>(17.55%)</u>
EXPENSES				
Educational Broadcasting:				
Personal Services	12,490,929	13,680,833	(1,189,904)	(8.70%)
Other operating costs	14,825,869	14,508,417	317,452	2.19%
Interest Expense	-	24,994	(24,994)	(100.00%)
Depreciation	<u>3,067,585</u>	<u>3,195,551</u>	<u>(127,966)</u>	<u>(4.00%)</u>
Total Expenses	<u>30,384,383</u>	<u>31,409,795</u>	<u>(1,025,412)</u>	<u>(3.26%)</u>
Decrease in Net Assets	(4,622,695)	(163,662)	(4,459,033)	2,724.54%
Net Assets - beginning of year	<u>50,553,810</u>	<u>50,717,472</u>	<u>(163,662)</u>	<u>(0.32%)</u>
Net Assets - end of year	<u>\$45,931,115</u>	<u>\$ 50,553,810</u>	<u>\$ (4,622,695)</u>	<u>(9.14%)</u>

Operating grants decreased by \$241 thousand from the previous fiscal year. The decrease was the result of less EIA funding for the year. Corporation for Public Broadcasting grant award increased by \$213 thousand over the previous year. Private grants receipts were approximately the same as the previous year. General revenues decreased \$5.5 million over the previous fiscal year. The decrease can be attributed to state budget reductions of 22% during the fiscal year. Capital reserve appropriations also decreased by \$800 thousand. The Commissions supplemental appropriation balances were reduced by the ongoing costs of the satellite and Television and Radio transmission maintenance for which they were appropriated. Contributions increased from the previous year by \$1.1 million due to an increase in contributions from the ETV Endowment.

Total expenses decreased 3% over the previous fiscal year. Personal services decreased by \$1.2 million. Personal service decreases can be attributed to a reduction in temporary and full time positions implemented in December, 2008. Other operating expenses showed a slight increase of 2%. The Commission did not incur any interest expense during the fiscal year. Depreciation expense decreased by \$130 thousand as the result of the removal of capital assets no longer in use.

The Commission's net assets decreased \$4.6 million from the previous fiscal year. The reduction in net assets can be attributed to the reduction in the Commission's state appropriations and reductions in fund balance for the previous fiscal years losses.

Capital Assets and Debt Administration

The Commission's Capital Assets net of depreciation were \$40.9 million at June 30, 2009. 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, 2009 and June 30, 2008.

SC ETV Capital Assets	2009	2008
Land	\$ 946,579	\$ 946,579
Building & Improvements	21,887,468	21,887,468
Equipment & Furniture	66,486,413	74,679,978
Vehicles	1,311,654	1,441,027
Construction in Progress	16,300	435,008
Total Cost	90,648,414	99,390,060
Less: Accumulated Depreciation	49,763,662	54,883,226
Net Capital Assets	\$ 40,884,752	\$ 44,506,834

The net decrease in the Commission's investment in capital assets for the current fiscal year was \$3.6 million. Actual expenditures to purchase or construct capital assets were \$1.5 million. The Commission recorded a disposal loss of \$1.5 million and depreciation charges for the year totaled \$3.1 million. The disposal loss was the result of analog equipment that had not reached the end of its useful life but was taken out of service after the conversion to a digital broadcast signal in February, 2009.

Economic Outlook

The Commission continues to look for ways to increase operating revenue and improve its operating efficiencies. The severe economic downturn which began in the latter part of calendar year 2008 resulted in state budget reductions of 22% during State Fiscal Year 2008-09. The Commission has incurred an additional 9.04% in state budget reductions implemented since July 1, 2009. The Commission anticipated the additional budget reductions and implemented a six day furlough for employees as well as reductions to departmental operations. The Commission's Community Service Grant from the Corporation for Public Broadcasting was reduced for the 2009 grant year and will be reduced again for the 2010 grant year. These reductions were the result of a previous CPB audit that affected the

way the Commission calculates its grant amount. The Commission continues with preparations to move its Radio operations to the Telecommunications building using existing funds. An architect firm was selected and a design and cost estimate have been completed. The Commission plans to use existing resources at the ETV Endowment to begin the renovation for the Radio operations. The Commission still plans to seek state funding to facilitate the move of all other operations currently located in its Administration building to the Telecommunications building.

Requests For Information

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

South Carolina Educational Television Commission
Chief Financial Officer
1101 George Rogers Boulevard
Columbia, South Carolina 29211

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the South Carolina Educational Television Commission ("the Commission") as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described in Note 1 to the financial statements, the financial statements of the Commission are intended to present the financial position and results of operations of only that portion of the funds of the State of South Carolina financial reporting entity that is attributable to the transactions of the Commission, an agency of the State. They do not purport to and do not present the financial position of the State of South Carolina as of June 30, 2009, and changes in its financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America, and do not include, other agencies, divisions or component units of the State of South Carolina.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the South Carolina Educational Television Commission as of June 30, 2009, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 27, 2010 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit.

Rogers Lalan, PA

January 27, 2010

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**STATEMENT OF NET ASSETS
JUNE 30, 2009**

ASSETS	<u>Governmental Activities</u>
Current assets:	
Cash and cash equivalents	\$ 7,227,772
Accounts receivable, net of allowance for doubtful accounts of \$38,350	1,535,453
Intergovernmental receivables:	
General Fund of the State	743,968
State agencies	380,072
Prepaid expenses	89,678
Total current assets	<u>9,976,943</u>
Non-current assets	
Capital assets, net of accumulated depreciation	40,884,752
Prepaid expenses, net of current portion	134,403
Total non-current assets	<u>41,019,155</u>
Total assets	<u><u>\$ 50,996,098</u></u>
 LIABILITIES AND NET ASSETS	
Liabilities:	
Current liabilities:	
Accounts payable	\$ 354,341
Accrued salaries and related benefits	818,663
Deferred revenue	1,566,260
Due to State Agencies	538,405
Current portion of due to Corporation for Public Broadcasting	155,041
Current portion of accrued compensated absences and related benefits	1,241,000
Total current liabilities	<u>4,673,710</u>
Noncurrent liabilities:	
Accrued compensated absences and related benefits, net of current portion	391,273
Total noncurrent liabilities	<u>391,273</u>
Total liabilities	<u>5,064,983</u>
Net assets:	
Capital assets	40,884,752
Restricted	1,549,349
Unrestricted	3,497,014
Total net assets	<u>45,931,115</u>
Total liabilities and net assets	<u><u>\$ 50,996,098</u></u>

See accompanying Notes to Financial Statements.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Governmental Activities</u>
Expenses:	
Educational broadcasting:	
Personal services	\$ 12,490,929
Other operating costs	14,825,869
Depreciation	<u>3,067,585</u>
Total program expenses	30,384,383
Program revenues:	
Charges for services	2,610,459
Operating grants and contributions	<u>4,577,426</u>
Net program expenses	<u>23,196,498</u>
General revenues:	
State appropriations	12,773,450
Contributions	5,800,352
Interest	<u>1</u>
Total general revenues	<u>18,573,803</u>
Increase (decrease) in net assets	(4,622,695)
Net assets - beginning of year, as restated	<u>50,553,810</u>
Net assets - end of year	<u><u>\$ 45,931,115</u></u>

See accompanying Notes to Financial Statements.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2009

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 5,605,148	\$ 1,622,624	\$ 7,227,772
Accounts receivable, net of allowance for doubtful accounts of \$38,350	1,215,800	56,326	1,272,126
Intergovernmental receivables:			
General Fund of the State	743,968		743,968
State agencies	150,457	203,378	353,835
Prepaid expenses	4,792	219,289	224,081
TOTAL ASSETS	\$ 7,720,165	\$ 2,101,617	\$ 9,821,782
 LIABILITIES AND FUND EQUITY			
LIABILITIES:			
Accounts payable	\$ 262,908	\$ 91,433	\$ 354,341
Accrued salaries and related benefits	818,663		818,663
Deferred revenues	51,750	1,514,510	1,566,260
Due to State Agencies	453,628	84,777	538,405
TOTAL LIABILITIES	1,586,949	1,690,720	3,277,669
 FUND BALANCES:			
Fund balances:			
Reserved for prepaid expenses	4,792	219,289	224,081
Reserved for capital projects and equipment	179,212	191,608	370,820
Reserved for satellite lease payments	137,384		137,384
Reserved for K-12 School Technology Initiative	821,856		821,856
Unreserved:			
Undesignated	4,989,972	-	4,989,972
TOTAL FUND BALANCES	6,133,216	410,897	6,544,113
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,720,165	\$ 2,101,617	\$ 9,821,782

See accompanying Notes to Financial Statements.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2009**

Reconciliation to the statement of net assets:

Fund balances of governmental funds		\$ 6,544,113
Amounts reported for governmental activities in the statement of net assets are different because:		
Liabilities are not due and payable in the current period, therefore, are not reported in the funds:		
Due to Corporation for Public Broadcasting	\$ (155,041)	
Accrued compensated absences and related benefits	<u>(1,632,273)</u>	(1,787,314)
Assets are not available for expenditures, therefore, are not recorded as revenues in the governmental funds		289,564
Assets are capitalized and depreciated or amortized in statement of net assets and are charged to expenditures in the governmental funds:		
Capital assets, net of accumulated depreciation		<u>40,884,752</u>
Net assets of governmental activities		<u><u>\$ 45,931,115</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, 2009**

	General	Other Governmental Funds	Total Governmental Funds
REVENUES:			
State appropriations	\$ 12,773,450		\$ 12,773,450
Contributions	5,800,352		5,800,352
Program sales	208,626		208,626
Corporation for Public Broadcasting, Inc. grant	3,064,945		3,064,945
Education Improvement Act		65,000	65,000
Private grants and contracts		1,447,481	1,447,481
Charges for services	1,401,876		1,401,876
Rental fees	737,067		737,067
Royalties	200,529		200,529
Miscellaneous	91,352		91,352
TOTAL REVENUES	24,278,197	1,512,481	25,790,678
EXPENDITURES:			
Internal Administration	3,003,056	15,279	3,018,335
Public education:			
School services		2,547	2,547
General support and services	6,367,163	1,050,252	7,417,415
Higher education general support and services	685,092	81,915	767,007
Agency services:			
Local government and business services	141,403	1,698	143,101
General support and services	1,006,313	6,791	1,013,104
Community education general support and services	5,665,073	334,113	5,999,186
Public affairs general support and services	2,188,010	100,528	2,288,538
Cultural and performing arts general support and services	5,552,811	4,244	5,557,055
K-12 School Technology Initiative	11,500		11,500
Equipment and materials purchased for resale	11,772		11,772
Education satellite service	508,880		508,880
Radio and Television transmissions	54,575		54,575
Equipment and permanent improvements		226,453	226,453
TOTAL EXPENDITURES	25,195,648	1,823,820	27,019,468
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(917,451)	(311,339)	(1,228,790)
OTHER FINANCING SOURCES (USES):			
Proceeds from sales of capital assets	41,002	-	41,002
TOTAL OTHER FINANCING SOURCES (USES)	41,002	-	41,002
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(876,449)	(311,339)	(1,187,788)
FUND BALANCES - BEGINNING OF YEAR, AS RESTATED	7,009,665	722,236	7,731,901
FUND BALANCES - END OF YEAR	\$ 6,133,216	\$ 410,897	\$ 6,544,113

See accompanying Notes to Financial Statements.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2009

RECONCILIATION TO THE STATEMENT OF ACTIVITIES:

Revenues and other financing sources over (under) expenditures and other financing uses	\$ (1,187,788)
Amounts reported for governmental activities in the statement of activities are different because:	
Costs of capital assets are reported as expenditures in the governmental funds, but are recorded as capital asset additions in the statement of net assets	975,095
Depreciation of capital assets is reported as an expense in the statement of activities	(3,067,585)
Certain receivables are not recorded in the governmental funds because they are not considered available	(39,862)
Repayments of amounts due to the Corporation for Public Broadcasting are reported as expenditures in the governmental funds, but the repayments are reported as a reduction of liabilities in the statement of net assets	155,200
Decrease in accrued compensated absences and related benefits is reported as a reduction to expense in the statement of activities	71,837
Losses on disposals of capital assets are reported as an expense in the statement of activities, net of cash received	<u>(1,529,592)</u>
INCREASE (DECREASE) IN NET ASSETS	<u>\$ (4,622,695)</u>

See accompanying Notes to Financial Statements.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

Reporting Entity

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

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

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

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

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

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

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

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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 fund:

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

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

Government-wide and Fund Financial Statements

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

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

Measurement Focus, Basis of accounting, and Financial Statement Presentation

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

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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. A full year of depreciation is taken the year the asset is placed in service and no depreciation is taken in the year of disposition.

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JUNE 30, 2009

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

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

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

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

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 Expenses

Prepaid expenses are accounted for using the consumption method. Prepaid expenses consist of payments made for the long-term rental of an antenna. For financial statement purposes, prepaid expenses are offset by a reserved fund balance account because the asset does not represent resources available for expenditures.

Compensated Absences

Generally all permanent full-time State employees and certain part-time employees scheduled to work at least one-half of the agency's work week are entitled to accrue and carry forward at calendar year-end maximums of 180 days sick leave and of 45 days annual vacation leave. Upon termination of State employment, employees are entitled to be paid for accumulated unused annual vacation leave up to the maximum, but are not entitled to any payment for unused sick leave. The compensated absences liability includes accrued annual leave and compensatory holiday leave earned for which the employees are entitled to paid time off or payment at termination. The leave liability also includes an estimate for accrued sick leave and leave from the agency's leave transfer pool for employees who have been approved as leave recipients under personal emergency circumstances that commenced on or before June 30, 2009. The Commission calculates the gross compensated absences liability based on recorded balances of unused leave. The entire unpaid liability for which the employer expects to compensate employees through paid time off or cash payments, inventoried at fiscal year-end current salary costs and the cost of the salary-related benefit payments, is recorded as a liability in the statement of net assets.

Due to Corporation for Public Broadcasting

This account represents amounts due to the Corporation for Public Broadcasting for disallowances related to non-federal support claimed in prior years. The amount is being repaid at the rate of \$155,200 per year commencing with the fiscal year ended June 30, 2006.

Net Assets / Fund Balances

The Commission records reservations for portions of its fund equity which are legally segregated for specific future uses or which do not represent available expendable resources and therefore, are not available for expenditures in the governmental fund balance sheet. Unreserved fund balance indicates that portion of fund equity, which is available for appropriations, in future periods. If restricted and unrestricted assets are available for the same purpose, then restricted assets will be used before unrestricted assets.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

Net assets are categorized as follows:

Invested in capital assets: This represents the Fund's total investment in capital assets, net of outstanding debt obligations, if any, related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted: Consists of assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributions, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted: Consists of the remainder of the Commission's assets in excess of liabilities excluding those net assets reported in other categories.

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.

Deferred Revenues

Deferred revenues consist primarily of certain EIA and 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.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 2. STATE APPROPRIATION:

The following represents a reconciliation of the Appropriations Act for the year ended June 30, 2009 as originally enacted by the General Assembly to State appropriation revenue as reported in the general fund.

Original appropriation	\$16,432,526
Supplemental appropriation for base pay increases and insurance premiums	110,444
Less: Midyear budget reductions	<u>(3,599,893)</u>
 Adjusted appropriation, budgetary basis	 12,943,077
 Accrual adjustments:	
Funding for personal services and employer contributions	<u>(169,627)</u>
 Accrual basis State appropriation revenue	 <u>\$12,773,450</u>

The total amount of 2008 State appropriated funds brought forward to fiscal year 2009 was \$880,051. The carryover consisted of \$646,264 for education satellite services and \$233,787 for radio and television transmissions carried over pursuant to Proviso 89.29 of the 2008-09 Appropriation Act. Proviso 89.29 of the 2008-2009 Appropriation Act under which the \$880,051 was carried forward, allowed a carry-forward of unspent fiscal year 2007-08 appropriations up to a maximum 10% of the Commission's original appropriation less any reduction excluding amounts carried forward under separate carry forward authority.

Proviso 89.28 of the 2009-2010 Appropriations Act authorizes the Commission to carry forward unspent fiscal year 2009 appropriations up to a maximum 10% of the original appropriation less any reduction to the 2010 fiscal year excluding amounts carried forward under separate carry forward authority. There were no unspent fiscal year 2009 general appropriations as of June 30, 2009.

The total amount of 2009 State appropriated funds authorized to be carried forward to fiscal year 2010 was \$316,596. The carryover consisted of \$137,384 for education satellite services and \$179,212 for radio and television transmissions carried over pursuant to Proviso 89.28 of the 2009-10 Appropriation Act.

The Commission also carried forward Capital Reserve Funds of \$821,856 from the State Department of Education for the K-12 School Technology Initiative carried over pursuant to Proviso 89.35 of the 2008-09 Appropriation Act.

NOTE 3. DEPOSITS:

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

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

<u>Financial Statements</u>		<u>Footnotes</u>	
Cash and Cash Equivalents	\$ 7,227,772	Petty Cash	\$ 200
		Deposits Held by State Treasurer	<u>7,227,572</u>
Totals	<u>\$ 7,227,772</u>	Totals	<u>\$ 7,227,772</u>

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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.

NOTE 4. CAPITAL ASSETS:

The following schedule summarizes capital assets activity for the Commission for the fiscal year 2009:

	Beginning Balances June 30, 2008	Increases	Decreases	Ending Balances June 30, 2009
Capital assets not being depreciated:				
Land and improvements	\$ 946,579			\$ 946,579
Construction in progress	435,008	56,999	(475,707)	16,300
Total capital assets not being depreciated	<u>1,381,587</u>	<u>56,999</u>	<u>(475,707)</u>	<u>962,879</u>
Other capital assets:				
Buildings and improvements	21,887,468			21,887,468
Equipment and furniture	74,679,978	1,378,132	(9,571,697)	66,486,413
Vehicles	1,441,027	15,671	(145,044)	1,311,654
Total other capital assets	<u>98,008,473</u>	<u>1,393,803</u>	<u>(9,716,741)</u>	<u>89,685,535</u>
Less accumulated depreciation for:				
Buildings and improvements	6,648,143	418,568		7,066,711
Equipment and furniture	47,178,278	2,577,112	(8,047,858)	41,707,532
Vehicles	1,056,805	71,905	(139,291)	989,419
Total accumulated depreciation	<u>54,883,226</u>	<u>3,067,585</u>	<u>(8,187,149)</u>	<u>49,763,662</u>
Other capital assets, net	<u>43,125,247</u>	<u>(1,673,782)</u>	<u>(1,529,592)</u>	<u>39,921,873</u>
Total capital assets, net	<u>\$44,506,834</u>	<u>\$(1,616,783)</u>	<u>\$(2,005,299)</u>	<u>\$40,884,752</u>

Construction in progress consists of costs incurred for the future renovation of the Telecommunications building. The total cost of the renovation project is not currently known.

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.

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**NOTES TO FINANCIAL STATEMENTS
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NOTE 5. DUE FROM THE GENERAL FUND OF THE STATE:

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

NOTE 6. OPERATING LEASES:

The Commission conducts part of its operations from leased facilities which include towers and office space. The Commission also leases mailroom equipment and copiers. All leases are with external parties. These leases expire beginning with fiscal year 2010 and continue through fiscal year 2019. The Commission has the option to renew the tower leases upon the expiration of the lease term under conditions agreeable to both parties which primarily is an increase in the lease payment based on the CPI index. All leases with terms of more than twelve months are cancelable without penalty to the Commission should the General Assembly not provide funding for these leases. The Commission also leases equipment on a month-to-month basis. In the normal course of business, operating leases are generally renewed or replaced by other leases. The Commission is responsible for maintenance on most leased property. Rental payments under all operating leases totaled approximately \$316,000 for the year ended June 30, 2009.

At June 30, 2009, the Commission's obligations under noncancelable operating leases having remaining terms in excess of one year are as follows:

Fiscal year ending June 30,	
2010	\$ 99,042
2011	100,409
2012	87,915
2013	49,454
2014	39,988
Thereafter	<u>176,598</u>
Total	<u>\$ 553,406</u>

NOTE 7. LONG-TERM LIABILITIES:

Long-term liability activity for the year ended June 30, 2009 was as follows:

	Balances, July 1, 2008	Additions	Reductions	Balances, June 30, 2009	Due Within One Year
Due to Corporation for Public Broadcasting	310,241		155,200	155,041	155,041
Accrued compensated absences and related benefits	1,704,110	1,168,862	1,240,699	1,632,273	1,241,000
	<u>\$2,014,351</u>	<u>\$1,168,862</u>	<u>\$1,395,899</u>	<u>\$ 1,787,314</u>	<u>\$1,396,041</u>

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NOTE 8. DUE FROM CAPITAL RESERVE FUND:

In fiscal year 2001, the Commission received \$250,000 for the Charleston Regional Station expansion pursuant to fiscal year 2000 Joint Resolution R467, H4776. The unspent portion at June 30, 2009 is \$87,808 and is restricted to expenditures for the purposes for which the funds were originally appropriated. The funds can be drawn down after the expenditures are incurred.

NOTE 9. RELATED PARTY:

A major portion of the funding of the Commission is provided by the ETV Endowment of South Carolina, Inc. (the Endowment) and South Carolina Educational Communications, Inc. (Communications), separately chartered eleemosynary corporations governed by independent boards of trustees over whom the Commission exercises no control. The Endowment/Communications provides support services for the Commission through the purchasing and underwriting of various programming. The Commission recorded approximately \$5,800,000 from the Endowment/Communications which is reported as contribution revenue of which approximately \$1,012,000 was included in accounts receivable at June 30, 2009. Also, the Commission recorded approximately \$44,000 in private grant revenues from the Endowment.

Summarized financial information for the Endowment/Communications as of and for the year ended June 30, 2009 is as follows:

	<u>Endowment</u>	<u>Communications</u>
As of June 30, 2009		
Total assets	<u>\$15,945,632</u>	<u>\$ 946,186</u>
Total liabilities	\$ 1,977,587	\$ 146,356
Total net assets	<u>13,968,045</u>	<u>799,830</u>
Total liabilities and net assets	<u>\$15,945,632</u>	<u>\$ 946,186</u>
For year ended June 30, 2009		
Revenues	\$ 4,928,129	\$ 5,121,069
Expenses	<u>7,110,763</u>	<u>4,877,327</u>
Changes in net assets	<u>\$ (2,182,634)</u>	<u>\$ 243,742</u>

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NOTE 10. TRANSACTIONS WITH OTHER STATE AGENCIES:

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

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

The Commission had financial transactions with various State agencies during the fiscal year. Significant payments were made to divisions of the State Budget and Control Board for retirement and insurance plan contributions, insurance coverage, printing, telephone, and interagency mail. Approximately \$150,000 was paid to the State Accident Fund and the Employment Security Commission for worker's compensation and unemployment insurance during the year.

The Commission provided no services free of charge to other State agencies during the fiscal year. Revenues of approximately \$1,666,000 were received from various State agencies.

During the fiscal year, the Commission purchased services with a total cost of approximately \$564,000 from various State agencies. These expenditures are reported primarily under the classification of Internal Administration primarily for taxes, insurance, telecommunications and other contracted services. Approximately \$524,000 was paid for these services subsequent to year end and is reported as due to other state agencies.

NOTE 11. PENSION PLAN AND OTHER EMPLOYEE BENEFITS:

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

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

Under the SCRS, employees are eligible for a full service retirement annuity upon reaching age 65 or completion of 28 years credited service regardless of age. The benefit formula for full benefits effective since July 1, 1989, for the SCRS is 1.82 percent of an employee's average final compensation multiplied by the number of years of credited service. Early retirement options with reduced benefits are available as early as age 55. Employees are vested for a deferred annuity after

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five years of service and qualify for a survivor's benefit upon completion of 15 years credited service (five years effective January 1, 2001). Disability annuity benefits are payable to employees totally and permanently disabled provided they have a minimum of five years credited service. (This requirement does not apply if the disability is a result of a job related injury.) A group-life insurance benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service.

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period.

Since July 1, 2006, employees participating in the SCRS have been required to contribute 6.5 percent of all compensation. Effective July 1, 2008, the employer contribution rate became 12.74 percent which included a 3.50 percent surcharge to fund retiree health and dental insurance coverage. The Commission's actual contributions to the SCRS for the years ended June 30, 2009, 2008, and 2007, were approximately \$860,000, \$903,000, and \$781,000, respectively, and equaled the required contributions (excluding the surcharge) for each year. Also, the Commission paid employer group-life insurance contributions of approximately \$14,000 in the current fiscal year at the rate of .15 percent of compensation.

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

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

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

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The State assumes no liability for this plan other than for payment of contributions to designated insurance companies. To elect participation in the ORP, eligible employees must irrevocably waive SCRS membership within their first thirty days of employment. Under State law, contributions to the ORP are required at the same rates as for the SCRS, 9.24 percent plus the retiree surcharge of 3.50 percent from the employer in fiscal year 2009.

For the fiscal year, total contributions requirements to the ORP were approximately \$23,000 (excluding the surcharge) from the Commission as employer and approximately \$16,000 from its employees as plan members. Employee contributions of 6.50 percent, and 5.00 percent of the employer contribution were remitted directly to the respective annuity policy providers. The balance of the employer portion was remitted to the Retirement Division of the State Budget and Control Board. The obligation for payment of benefit resides with the insurance companies. Also, the Commission paid employer group life insurance contributions of approximately \$380 in the current fiscal year at the rate of .15 percent of compensation. The balance was remitted directly to the respective annuity policy providers.

NOTE 12. POST RETIREMENT AND OTHER EMPLOYEE BENEFITS:

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. The Commission contributes to the Retiree Medical Plan (RMP) and the Long-term Disability Plan (LTDP), cost-sharing multiple-employer defined benefit postemployment healthcare and long-term disability plans administered by the Employee Insurance Program (EIP), a part of the State Budget and Control Board (SBCB). Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires May 2, 2008 and after, retirees are eligible for benefits if they have established twenty-five years of service for 100% employer funding and fifteen through twenty-four years of service for 50% employer funding. Benefits become effective when the former employee retires under a State retirement system.

Basic long-term disability (BLTD) benefits are provided to active state, public school district and participating local government employees approved for disability.

Section 1-11-705 and 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these post-employment healthcare and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the EIP and participating retirees to the SBCB except the portion funded through the pension surcharge and provided from other applicable sources of the EIP for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 3.50% and 3.42% of annual covered payroll for 2009 and 2008, respectively. The EIP sets the employer contribution rate based on a pay-as-you-go basis. The Commission paid approximately \$334,000 and \$348,000 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2009 and 2008, respectively. BLTD benefits are funded through a per person premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to EIP was \$3.23 for the fiscal years ended June 30, 2009 and 2008.

Effective May 1, 2008 the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The South Carolina Retiree Health Insurance Trust Fund is primarily funded through the payroll surcharge.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

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JUNE 30, 2009**

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

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

NOTE 13. DEFERRED COMPENSATION PLANS:

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

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

NOTE 14. RISK MANAGEMENT:

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

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

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

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

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

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

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

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

The Commission obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation. The limit is \$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, 2009.

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

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

The Commission has not reported an estimated claims loss expenditure, and the related liability at June 30, 2009, 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, 2009 and the amount of the loss is reasonably estimable have not been satisfied.

In the fiscal year ended June 30, 2009, 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, 2009, 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.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 15. COMMITMENTS:

As of June 30, 2009, the Commission had approximately \$69,000 in outstanding commitments primarily for contractual services, fixed charges and purchases of supplies and equipment. The funding sources for these commitments consist primarily of other operating sources.

NOTE 16. PRIOR PERIOD RESTATEMENTS:

The Commission restated its period of availability for the government funds financial statements from one year to thirty days to correct errors in revenue recognition related to rental fees and lease fees. Accounts receivable and fund balances on the governmental funds balance sheet included \$136,483 that was not collected within 30 days of year-end as of June 30, 2008 which caused the fund balance at June 30, 2008 to be overstated.

NOTE 17. OTHER MATTERS:

On November 16, 2006 the Board of Commissioners approved proceeding with putting the Commission's administrative building up for sale. The building was appraised for approximately \$7.2 million in 2006. The Commission plans to request state funding to renovate unfinished portions of the telecommunications building. Under current law any sales proceeds would be remitted to the General Fund of the State.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the South Carolina Educational Television Commission (the Commission) as of and for the year ended June 30, 2009, and have issued our report thereon dated January 27, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider each deficiency described on the schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider findings 2009-1 through 2009-5 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompany schedule of findings as items 2009-6 and 2009-7.

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

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

Rogers Lalan, PA

January 27, 2010

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

SCHEDULE OF FINDINGS JUNE 30, 2009

2009-1 Revenues and Expenditures Not Recorded From Foundation

Condition: The Commission did not record approximately \$173,000 in revenues and expenditures from the Educational Television Foundation. The same finding was cited in last year's management letter.

Cause: The Commission did not record expenditures paid by the Foundation on their behalf that did not qualify for reporting on their annual report to the Public Broadcasting Commission. Also, the Commission did not reconcile their actual receipts from the Foundation to the Foundation's records before making the entry to record certain expenditures paid by the Foundation on behalf of the Commission.

Effect: The statements were not presented in accordance with generally accepted accounting principles and did not present all of the financial transactions of the Commission.

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

Recommendation: The Commission should ensure that all of its transactions with the Foundation are properly recorded in accordance with generally accepted accounting principles.

2009-2 Errors in Year-End Journal Entries

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

Cause: Unknown

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

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

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

2009-3 Errors in Recording Accounts Receivable

Condition: The Commission did not use the correct revenue recognition policy in recording accounts receivable for rental and lease fees in the governmental fund financial statements resulting in overstating assets and accounts receivable. They used the policy attributable to sales and services which required them to recognize any receivable that was going to be collected in the next year. Their policy required them to use a one month period for this type of revenue. This also required a prior period adjustment to the beginning fund balance because the incorrect recognition period was also used in the prior year.

We also determined that accounts receivable were overstated because the Commission recorded an incorrect amount for one invoice.

Cause: This error appeared to occur because of a misunderstanding of the revenue recognition policy attributable to rental and lease fees and the failure to examine supporting documentation before recording the receivable for one invoice.

Effect: Misstatement of assets and revenues between accounting periods.

Criteria: The Commission's revenue recognition policy contains the criteria to record certain types of accounts receivable.

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

2009-4 Accrued Annual Leave Incorrectly Calculated

Condition: Our testing disclosed that the Commission incorrectly calculated the amount of annual leave earned for one employee. The employee was accruing annual leave at the rate of 10 hours per month instead of 20 hours per month. The same finding was reported in the prior year's management letter.

We also noted that the Commission used the incorrect hourly rates in calculating the accrued leave balance at June 30, 2009 resulting in an understatement of the balance by approximately \$72,000.

Also, our testing of the accrued leave used during the year disclosed errors in 3 of the 10 employees tested resulting in a projected error of approximately \$39,000.

Cause: The one employee was rehired and not given credit for prior State employment. The incorrect hourly rates were used because Commission personnel used the incorrect rate in converting personnel from 40 hour per week to 37.5 hours per week and the amount of leave used during the year were due to errors in the manual calculation utilized.

Effect: The Commission's accrued leave balance at June 30, 2009 was understated because of these errors and the amount of leave used during the year was overstated.

Criteria: State Regulations and the Code of Laws contain the requirements for the calculation of annual leave. Good internal controls require that a system be in place to ensure that all amounts are calculated correctly.

Recommendation: The Commission should ensure that annual leave for all employees is calculated correctly.

2009-5 Increases in Construction in Progress Reported Incorrectly

Condition: The Commission reported approximately \$57,000 in expenditures incurred during the current year on equipment that was included in construction in progress as of June 30, 2008 as additions to equipment during the year instead of as additions to construction in progress in the note showing changes in capital assets in the financial statements. The expenditures were also reported incorrectly on the closing package submitted to the Comptroller General which is used in connection with preparing the State-wide financial statements. The proper reporting was to report the \$57,000 as an increase and decrease on the construction in progress line in the notes and on the closing package. The note was corrected for this error.

Cause: Lack of clear understanding for the reporting of the expenditure.

Effect: The amount shown for increases and decreases for construction in progress in the notes was underreported.

Criteria: Generally accepted accounting principles require that all items be shown at the correct amounts.

Recommendation: The Commission should ensure that all amounts expended on construction in progress are properly recorded.

2009-6 Inadequate Controls Over Procurement Card

Condition: Various employees of the Commission are authorized to make purchases on behalf of the Commission using procurement cards. Our testing of these transactions disclosed the following deficiencies:

1. We noted 8 instances where it appeared that purchases were split to circumvent the \$2,500 limit.
2. We noted numerous instances where the card holder purchased a single item that was in excess of the \$500 limit.
3. The Commission could not provide a supporting receipt or invoice for all of the transactions tested.

The same condition was reported in the prior year management letter.

Cause: Failure to enforce State and Departmental policy.

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

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

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

2009-7 Inadequate Follow-Up of Outstanding Accounts Receivable

Condition: The Commission is not timely following up on old accounts receivable to determine why it has not been collected. The Commission still has several invoices shown as outstanding from fiscal year 2007.

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

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

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

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

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**STATUS OF PRIOR FINDINGS
JUNE 30, 2009**

During our current audit, we reviewed the status of action taken on the findings we reported on our report on the financial statements of the Commission dated December 22, 2008 resulting from the audit of the financial statements for the year ended June 30, 2009. The following findings were reported:

- 2008-1 Contribution Revenue Misclassified and Some Revenues and Expenditures Not Recorded
- 2008-2 Expenditures Paid From Incorrect Governmental Fund
- 2008-3 No Review or Approval of Certain Transactions
- 2008-4 Inadequate Controls Over Procurement Card and Fuel Purchases
- 2008-5 Accrued Annual Leave Incorrectly Calculated

The finding regarding the expenditures paid from incorrect governmental fund was corrected. The remaining findings are repeated in this year's management letter.

MANAGEMENT'S RESPONSE

APPENDIX A

January 27, 2010

Mr. Richard H. Gilbert, Jr., CPA
Deputy State Auditor
Office of the State Auditor
1401 Main Street, Suite 1200
Columbia, South Carolina 29201

Dear Mr. Gilbert:

The South Carolina Educational Television Commission respectfully submits the following Corrective Action Plan for the year ended June 30, 2009.

This plan outlines actions taken, or to be taken, to address "significant deficiencies" contained in the audit report prepared by Rogers and Laban, PA, CPA's dated January 27, 2010. Each audit condition and recommendation is repeated prior to our response and numbered as in the audit report.

SCHEDULE OF FINDINGS

2009-1 Revenues and Expenditures Not Recorded from Foundation

Condition:

The Commission did not record approximately \$173,000 in revenues and expenditures from the Educational Television Foundation. The same finding was cited in last year's management letter.

Recommendation:

The Commission should ensure that all of its transactions with the Foundation are properly recorded in accordance with generally accepted accounting principles.

SC ETV Corrective Action:

The Commission concurs that all transactions should be properly recorded in accordance with generally accepted accounting principles. Commission staff will work with Foundation staff to ensure all transactions are properly recorded.

2009-2 Errors in Year End Journal Entries

Condition:

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

Recommendation:

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

SC ETV Corrective Action:

The Commission concurs that its journal entries should be properly recorded and will implement a process for review and approval prior to posting.

2009-3 Errors in Recording Accounts Receivable

Condition:

The Commission did not use the correct revenue recognition policy in recording accounts receivable for rental and lease fees in the governmental fund financial statements resulting in overstating assets and accounts receivable. They used the policy attributable to sales and services which required them to recognize any receivable that was going to be collected in the next year. Their policy required them to use a one month period for this type of revenue. This also required a prior period adjustment to the beginning fund balance because the incorrect recognition period was also used in the prior year.

We also determined that accounts receivable were overstated because the Commission recorded an incorrect amount for one invoice.

Recommendation:

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

SC ETV Corrective Action:

The Commission concurs that the correct revenue recognition policy was not used in regards to rental and lease fees in the governmental fund financial statements. Staff will review the revenue recognition guidelines and apply them accordingly. Accounts receivable will also be reviewed to ensure they are recorded for the correct amounts.

2009-4 Accrued Annual Leave Incorrectly Calculated

Condition:

Our testing disclosed that the Commission incorrectly calculated the amount of annual leave earned for one employee. The employee was accruing annual leave at the rate of 10 hours per month instead of 20 hours per month. We also noted that the Commission used the incorrect hourly rates in calculating the accrued leave balance at June 30, 2009 resulting in an understatement of the balance by approximately \$72,000.

Also, our testing of the accrued leave used during the year disclosed errors in 3 of the 10 employees tested resulting in a projected error of approximately \$39,000.

Recommendation:

The Commission should ensure that annual leave for all employees is calculated correctly.

SC ETV Corrective Action:

We concur that annual leave should be calculated correctly. Human Resources staff will work to ensure that all leave is computed correctly.

2009-5 Increases in Construction in Progress Reported Incorrectly

Condition:

The Commission reported approximately \$57,000 in expenditures incurred during the current year on equipment that was included in construction in progress as of June 30, 2008 as additions to equipment during the year instead of as additions to construction in progress in the note showing changes in capital assets in the financial statements. The expenditures were also reported incorrectly on the closing package submitted to the Comptroller General which is used in connection with preparing the State-wide financial statements. The proper reporting was to report the \$57,000 as an increase and decrease on the construction in progress line in the notes and on the closing package. The note was corrected for this error.

Recommendation:

The Commission should ensure that all amounts expended on construction in progress are properly recorded.

SC ETV Corrective Action:

We concur that construction in progress should be properly recorded. Staff will ensure that future increases and decreases in construction in progress are properly reflected on the closing package and notes.

2009-6 Inadequate Controls Over Procurement Card

Condition:

Various employees of the Commission have procurement cards to make purchases on behalf of the Commission using procurement cards. Our testing of these transactions disclosed the following deficiencies:

1. We noted 8 instances where it appeared that purchases were split to circumvent the limit of \$2,500.
2. We noted numerous instances where the card holder purchased a single item that was in excess of the \$500 limit.
3. The Commission could not provide a supporting receipt or invoice for all of the transactions tested.

The same condition was reported in the prior year management letter.

Recommendation:

The Commission should ensure that all cardholder's are aware of the policies regarding the use of card and abuses should result in the loss of procurement card privileges.

SC ETV Corrective Action:

We concur that cardholders should follow policies and procedures regarding the use of the card. Staff will review current agency policies and all cardholders will be reminded of the current policies and notified that their cards will be revoked if proper procedures are not followed.

2009-7 Inadequate Follow-Up of Outstanding Accounts Receivable

Condition:

The Commission is not timely following up on old accounts receivable to determine why it has not been collected. The Commission still has several invoices shown as outstanding from fiscal year 2007.

Recommendation:

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

SC ETV Corrective Action:

We concur that accounts receivable invoices should be timely reviewed to ensure collection in a timely manner. Staff duties and responsibilities will be reviewed so that balances are reviewed to ensure timely collections.

If additional information is needed, please contact Brad Livingston at 737-3223.

Sincerely,

A handwritten signature in black ink that reads "David L. Crouch". The signature is written in a cursive style with a large, looped initial "D".

David L. Crouch
President