

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

FINANCIAL AND COMPLIANCE REPORT

YEAR ENDED JUNE 30, 2007

State of South Carolina



Office of the State Auditor

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DEPUTY STATE AUDITOR

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December 19, 2007

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, 2007, 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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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, 2007, 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, 2007, 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, 2007, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Going Beyond The Numbers.

In accordance with Government Auditing Standards, we have also issued our report dated December 14, 2007 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

December 14, 2007

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, 2007 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, Capital Projects Fund, State Lottery 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 entity-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 \$50.9 million at fiscal year ending June 30, 2007 (See Table 1 below for a summary of net assets for fiscal years 2006-2007 and 2005-2006). Of this amount, \$4.3 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	2007	2006	Increase / (Decrease)	Percent Change
ASSETS				
Current Assets	\$ 9,358,422	\$ 10,035,022	\$ (676,600)	(6.74%)
Capital Assets, net of accumulated depreciation	46,196,382	48,810,766	(2,614,384)	(5.36%)
Prepaid Expenses, net of current portion	320,467	416,853	(96,386)	(23.12%)
Loan Issuance Costs	16,800	33,600	(16,800)	(50.00%)
Total Assets	<u>\$ 55,892,071</u>	<u>\$ 59,296,241</u>	<u>\$ (3,404,170)</u>	(5.74%)
LIABILITIES				
Current Liabilities	\$ 4,244,856	\$ 4,819,104	\$ (574,248)	(11.92%)
Noncurrent Liabilities	783,595	1,583,736	(800,141)	(50.52%)
Total Liabilities	<u>5,028,451</u>	<u>6,402,840</u>	<u>(1,374,389)</u>	(21.47%)
NET ASSETS				
Capital Assets, net of related debt	45,436,586	47,315,372	(1,878,786)	(3.97%)
Restricted	1,136,960	2,063,062	(926,102)	(44.89%)
Unrestricted	4,290,074	3,514,967	775,107	22.05%
Total Net Assets	<u>50,863,620</u>	<u>52,893,401</u>	<u>(2,029,781)</u>	(3.84%)
Total Liabilities and Net Assets	<u>\$ 55,892,071</u>	<u>\$ 59,296,241</u>	<u>\$ (3,404,170)</u>	(5.74%)

Total assets of the Commission decreased by \$3.4 million. Current assets decreased by \$676 thousand. Cash and cash equivalents were \$1 million less than the previous year and accounts and intergovernmental receivables increased \$334 thousand. Amounts due from state agencies were \$100 thousand less than the previous year. Capital assets decreased \$2.6 million due to capital asset retirements and an increase in accumulated depreciation.

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 attributable to a \$550,000 decrease in accounts payable. The decrease in accounts payable can be attributed to the Commission's digital capital project nearing full completion. Deferred revenue in current liabilities also decreased by approximately \$23,000 from the previous fiscal year. The current portion of compensated absences also decreased. The decrease in non-current liabilities can be attributed to the remaining balance of the Commission's note payable is due within one year and is shown as a current liability. The amount due to the Corporation for Public Broadcasting was also reduced by \$155,200 for the second year of the grant disallowance payback. The non-current portion of compensated absences did show an increase.

Net assets of the Commission decreased during the year by \$2.0 million. The decrease can be attributed to the \$926 thousand decrease in restricted net assets and a decrease of \$1.8 million in capital assets, net of related debt and an increase of \$775 thousand in unrestricted net assets. The decrease in restricted net assets is the result of prior year K-12 funds being spent.

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 received and expenses incurred during the fiscal year ending June 30, 2007.

Program revenues for the commission are classified in three categories: Charges for Services, Operating Grants and Capital Grants. Charges for services are received for providing services to the various customers and constituencies of the Commission. Operating grants are primarily made up of the Community Service Grants received from the Corporation for Public Broadcasting, contributed support from the ETV Endowment 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. Total program revenue from all sources during the fiscal year totaled \$12.1 million.

Expenses for the Commission are shown under the category of Educational Broadcasting and are classified as Personal Services, Other Operating, Interest and Depreciation. Personal Service costs were \$13.1 million (43%). Other operating costs totaled \$14.2 million (46%). Interest and depreciation costs totaled \$3.4 million (11%).

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 2006-2007 and 2005-2006).

Table 2				
Statement of Revenues, Expenses, and Changes in Net Assets				
	Governmental Activities			
	2007	2006	Increase / (Decrease)	Percent Change
REVENUES				
Program Revenues:				
Charges for Services	\$ 2,339,316	\$ 2,445,900	\$ (106,584)	(4.36%)
Operating grants & contributions	9,596,209	7,875,486	1,720,723	21.85%
Capital grants & contributions	-	1,149,073	(1,149,073)	(100.00%)
General Revenues:				
State Appropriations	13,875,131	13,399,900	475,231	3.55%
Capital Reserve Fund Appropriation	1,400,000	1,400,000	-	0.00%
Contributions	1,471,868	1,512,034	(40,166)	(2.66%)
Interest	898	678	220	24.50%
Total Revenues	28,683,422	27,783,071	900,351	3.24%
EXPENSES				
Educational Broadcasting:				
Personal Services	13,110,151	12,610,414	499,737	3.96%
Other operating costs	14,178,260	14,593,441	(415,181)	(2.84%)
Interest Expense	49,191	72,618	(23,427)	(32.26%)
Depreciation	3,375,601	3,505,336	(129,735)	(3.70%)
Total Expenses	30,713,203	30,781,809	(68,606)	(0.22%)
Decrease in Net Assets	(2,029,781)	(2,998,738)	968,957	(32.31%)
Net Assets - beginning of year	52,893,401	55,892,139	(2,998,738)	(5.37%)
Net Assets - end of year	<u>\$50,863,620</u>	<u>\$52,893,401</u>	<u>\$ (2,029,781)</u>	<u>(3.84%)</u>

Capital grants reflected a decrease of \$1.1 million over the previous fiscal year. Revenues from charges for services decreased by \$100 thousand, operating grants and contributions increased \$1.7 million from the previous fiscal year. The Operating grants increase can be attributed to an increase in contributed support from the ETV Endowment, an increase in K-12 restricted funding and an increase in private operating grants. Capital grant revenue decreased as a result of the Commission's federal grant being completed. General revenues increased \$475 thousand over the previous fiscal year. The increase can be attributed to the base budget being increased for previous year annualizations and an increase in the receivable amount for accrued payroll. The Commission also received another \$1.4 million capital reserve appropriation to fund its annual satellite costs during the current year.

Total expenses were within a .25% of the previous fiscal year. Personal services increased by \$500 thousand. Personal services increases can be attributed to salary increases, TERI payouts and an increase in temporary employee cost. Other operating expenses decreased by \$400 thousand. Interest and Depreciation expenses showed minimal decreases from the previous fiscal year.

The Commission's net assets decreased \$2 million from the previous fiscal year. The reduction in net assets can be attributed to the reduction in the Commission's capital grants and reductions in fund balance for the previous fiscal years net income or losses.

Capital Assets and Debt Administration

The Commission's Capital Assets net of depreciation were \$46.2 million at June 30, 2007. 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, 2007 and June 30, 2006.

SC ETV Capital Assets	2007	2006
Land	\$ 946,579	\$ 946,579
Building & Improvements	21,887,468	21,887,468
Equipment & Furniture	76,558,506	75,186,452
Vehicles	1,462,645	1,452,836
Construction in Progress	16,300	1,206,301
Total Cost	100,871,498	100,679,636
Less: Accumulated Depreciation	54,675,116	51,868,870
Net Capital Assets	\$ 46,196,382	\$ 48,810,766

The net decrease in the Commission's investment in capital assets for the current fiscal year was \$2.6 million. Actual expenditures to purchase or construct capital assets were \$788 thousand. Depreciation charges for the year totaled \$3.4 million. See Note 4 in the notes to the financial statements within this report for additional information on the Commission's capital assets.

The Commission currently has one note payable with an interest rate of 3.29%, original maturity date of June 30, 2008, which is secured by equipment held by the Commission. As of June 30, 2007 the total principal amount still owed was approximately \$760 thousand. See Note 7 in the notes to the financial statements within this report for additional information about the Commission's long-term debt.

Economic Outlook

The Commission is aware that future state funded appropriations may be reduced and continues to look for ways to increase operating revenue and improve its operating efficiencies. The Commission's Community Service Grant from the Corporation for Public Broadcasting was reduced for the 2007 grant year and will be reduced again for the 2008 grant year. These reductions were the result of a previous CPB audit that affected the way the Commission calculates its grant amount. The total amount of the payback has been reflected as a liability on the financial statements. The Commission had previously asked for

and received an exemption from Proviso 63.34 that would allow it to keep any funds received from the sale of its Administration building to renovate unused office space in the Telecommunications building. This exemption was removed from the budget for State Fiscal Year 2007-08 and the proposed sale has not been brought before the State Budget and Control Board. The Commission still plans to seek state funding during the upcoming fiscal year to facilitate the move 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
Senior Vice President Administration
1101 George Rogers Boulevard
Columbia, South Carolina 29211

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**STATEMENT OF NET ASSETS
JUNE 30, 2007**

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 6,737,914
Accounts receivable, net of allowance for doubtful accounts of \$52,555	1,518,463
Intergovernmental receivables:	
General Fund of the State	847,304
State agencies	158,355
Prepaid expenses	96,386
Total current assets	9,358,422
Non-current assets	
Capital assets, net of accumulated depreciation	46,196,382
Prepaid expenses, net of current portion	320,467
Loan issuance costs, net of accumulated amortization	16,800
Total non-current assets	46,533,649
Total assets	\$ 55,892,071
 LIABILITIES AND NET ASSETS	
Liabilities:	
Current liabilities:	
Accounts payable	\$ 462,515
Accrued salaries and related benefits	1,005,072
Deferred revenue	671,273
Current portion of due to Corporation for Public Broadcasting	155,200
Current portion of note payable	759,796
Current portion of accrued compensated absences and related benefits	1,191,000
Total current liabilities	4,244,856
Noncurrent liabilities:	
Accrued compensated absences and related benefits, net of current portion	473,354
Due to Corporation for Public Broadcasting, net of current portion	310,241
Total noncurrent liabilities	783,595
Total liabilities	5,028,451
Net assets:	
Capital assets, net of related debt	45,436,586
Restricted	1,136,960
Unrestricted	4,290,074
Total net assets	50,863,620
Total liabilities and net assets	\$ 55,892,071

See accompanying Notes to Financial Statements.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Governmental Activities</u>
Expenses:	
Educational broadcasting:	
Personal services	\$ 13,110,151
Other operating costs	14,178,260
Interest expense	49,191
Depreciation and amortization	<u>3,375,601</u>
Total program expenses	30,713,203
Program revenues:	
Charges for services	2,339,316
Operating grants and contributions	<u>9,596,209</u>
Net program expenses	<u>18,777,678</u>
General revenues:	
State appropriations	13,875,131
Capital Reserve Fund appropriation	1,400,000
Contributions	1,471,868
Interest	<u>898</u>
Total general revenues	<u>16,747,897</u>
Increase (decrease) in net assets	(2,029,781)
Net assets - beginning of year	<u>52,893,401</u>
Net assets - end of year	<u><u>\$ 50,863,620</u></u>

See accompanying Notes to Financial Statements.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2007

	General	Capital Projects	State Lottery Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 4,385,261	\$ 589,064	\$ -	\$ 1,763,589	\$ 6,737,914
Accounts receivable, net of allowance for doubtful accounts of \$52,555	1,428,616			23,763	1,452,379
Intergovernmental receivables:					
General Fund of the State	847,304				847,304
State agencies	97,093				97,093
Due from other funds	1,160,821			132,243	1,293,064
Prepaid expenses	27,792		389,061		416,853
TOTAL ASSETS	\$ 7,946,887	\$ 589,064	\$ 389,061	\$ 1,919,595	\$ 10,844,607
 LIABILITIES AND FUND EQUITY					
LIABILITIES:					
Accounts payable	\$ 384,172	\$ 10,020		\$ 68,323	\$ 462,515
Accrued salaries and related benefits	944,184			60,888	1,005,072
Deferred revenues	41,710			629,563	671,273
Due to other funds	132,243			1,160,821	1,293,064
TOTAL LIABILITIES	1,502,309	10,020	-	1,919,595	3,431,924
 FUND EQUITY:					
Fund balances:					
Reserved for prepaid expenses	27,792		389,061		416,853
Reserved for capital projects and equipment		579,044			579,044
Reserved for satellite lease payments	150,000				150,000
Reserved for K-12 School Technology Initiative	18,855				18,855
Unreserved:					
Undesignated	6,247,931				6,247,931
TOTAL FUND EQUITY	6,444,578	579,044	389,061	-	7,412,683
TOTAL LIABILITIES AND FUND EQUITY	\$ 7,946,887	\$ 589,064	\$ 389,061	\$ 1,919,595	\$ 10,844,607

See accompanying Notes to Financial Statements.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2007**

Reconciliation to the statement of net assets:

Fund balances of governmental funds		\$ 7,412,683
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	\$ (465,441)	
Note payable	(759,796)	
Accrued compensated absences and related benefits	<u>(1,664,354)</u>	(2,889,591)
Assets are not available for expenditures, therefore, are not recorded as revenues in the governmental funds		127,346
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	\$ 46,196,382	
Loan issuance costs, net of accumulated amortization	<u>16,800</u>	<u>46,213,182</u>
Net assets of governmental activities		<u><u>\$ 50,863,620</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, 2007

	General	Capital Projects	State Lottery Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
State appropriations	\$ 13,875,131				\$ 13,875,131
Capital Reserve Fund appropriation	1,400,000				1,400,000
Contributed support	3,927,807				3,927,807
Contributions	1,471,868				1,471,868
Program sales	210,246				210,246
Corporation for Public Broadcasting, Inc. grant	2,987,122				2,987,122
Education Improvement Act				2,084,958	2,084,958
Private grants and contracts				596,322	596,322
Charges for services	1,007,473				1,007,473
Rental fees	892,662				892,662
Royalties	154,281				154,281
Miscellaneous	72,028				72,028
TOTAL REVENUES	25,998,618	-	-	2,681,280	28,679,898
EXPENDITURES:					
Internal Administration	3,274,325		15,279		3,289,604
Public education:					
Early childhood			2,546		2,546
School services	153,152		20,373		173,525
General support and services	5,222,032		5,093	2,238,339	7,465,464
Higher education general support and services	1,034,706				1,034,706
Agency services:					
Local government and business services	359,873		1,698		361,571
General support and services	1,276,459		6,791		1,283,250
Community education general support and services	4,780,992		20,373	398,814	5,200,179
Public affairs general support and services	2,351,704		8,489	44,127	2,404,320
Cultural and performing arts general support and services	4,643,566		4,244		4,647,810
K-12 School Technology Initiative	38,835				38,835
Equipment and materials purchased for resale	31,017				31,017
Debt service:					
Principal	735,598				735,598
Interest	49,191				49,191
Education satellite service	1,400,000				1,400,000
Equipment and permanent improvements		813,881			813,881
TOTAL EXPENDITURES	25,351,450	813,881	84,886	2,681,280	28,931,497
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	647,168	(813,881)	(84,886)	-	(251,599)
OTHER FINANCING SOURCES (USES):					
Transfers in		500,000			500,000
Transfers out			(500,000)		(500,000)
Proceeds from sales of capital assets	4,535				4,535
TOTAL OTHER FINANCING SOURCES (USES)	4,535	500,000	(500,000)	-	4,535
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	651,703	(313,881)	(584,886)	-	(247,064)
FUND BALANCES - BEGINNING OF YEAR	5,792,875	892,925	973,947	-	7,659,747
FUND BALANCES - END OF YEAR	\$ 6,444,578	\$ 579,044	\$ 389,061	\$ -	\$ 7,412,683

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, 2007**

RECONCILIATION TO THE STATEMENT OF ACTIVITIES:

Revenues and other financing sources over (under) expenditures and other financing uses	\$ (247,064)
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	787,703
Depreciation of capital assets is reported as an expense in the statement of activities	(3,358,801)
Amortization of loan issuance costs is reported as an expense in the statement of activities	(16,800)
Certain receivables are not recorded in the governmental funds because they are not considered available	3,524
Repayments of long-term debt are reported as expenditures in the governmental funds, but the repayments are reported as a reduction of liabilities in the statement of net assets	735,598
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
Increase in accrued compensated absences and related benefits is reported as additional expense in the statement of activities	(45,855)
Losses on disposals of capital assets are reported as an expense in the statement of activities, net of cash received	<u>(43,286)</u>
INCREASE (DECREASE) IN NET ASSETS	<u><u>\$ (2,029,781)</u></u>

See accompanying Notes to Financial Statements.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

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, 2007

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 had the following governmental funds.

The Commission reports the following major funds:

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

State Lottery Fund - consist of State Lottery grants as required by Section 59-150-355 of the South Carolina Code of Laws that are used primarily for the acquisition of equipment or the construction of capital projects to assist the Commission in the digital conversion process. The fund balance account related to these capital projects is titled reserved for capital projects and equipment

Capital Projects Fund - This fund accounts for federal grants, private grants and contracts, funds received from the State from capital improvement bonds and capital reserve fund appropriations and expenditures made from these resources. In addition, expenditures by this fund are funded by transfers from the State Lottery fund.

Government-wide and Fund Financial Statements

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

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

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Measurement Focus, Basis of accounting, and Financial Statement Presentation

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

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

Revenues – Exchange and Non-Exchange Transactions

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

Nonexchange transactions, in which the Commission receives value without directly giving value in return, include grants and donations. On an accrual basis, revenue from grants and donations 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 and library materials, 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.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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.

A budget versus actual comparison is not presented as required supplementary information for any of the funds since not all revenues or expenditures are budgeted in any of the funds.

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.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

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 rentals of antennas. 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, 2007. 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, 2007

Net assets are categorized as follows:

Invested in capital assets, net of related debt: 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.

Contributed Support

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

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, 2007**

NOTE 2. STATE APPROPRIATION:

The following represents a reconciliation of the Appropriations Act for the year ended June 30, 2007 as originally enacted by the General Assembly to State appropriation revenue as reported in the general fund.

Original appropriation	13,421,131
Supplemental appropriation for base pay increases and insurance premiums	<u>329,375</u>
 Adjusted appropriation, budgetary basis	 13,750,506
 Accrual adjustments:	
Funding for personal services and employer contributions	<u>124,625</u>
 Accrual basis State appropriation revenue	 <u><u>\$ 13,875,131</u></u>

The total amount of 2006 State appropriated funds brought forward to fiscal year 2007 was \$557,050. The carryover consisted of \$46,190 for the K-12 School Technology Initiative carried over pursuant to Proviso 72.37 of the 2005-06 Appropriation Act and \$510,860 of unspent fiscal year appropriations for general operating expenditures. Proviso 72.30 of the 2006-2007 Appropriation Act under which the \$510,860 was carried forward, allowed a carry-forward of unspent fiscal year 2005-06 appropriations up to a maximum 10% of the Commission's original appropriation less any reduction excluding amounts carried forward under separate carry forward authority.

The total amount of 2007 State appropriated funds authorized to be carried forward to fiscal year 2008 was \$558,581. The carryover consisted of \$18,855 for the K-12 School Technology Initiative carried over pursuant to Proviso 72.37 of the 2006-07 Appropriation Act and \$539,726 of unspent fiscal year appropriations for general operating expenditures. Proviso 72.29 of the 2007-2008 Appropriation Act under which the \$539,726 was carried forward, allowed a carry-forward of unspent fiscal year 2006-07 appropriations up to a maximum 10% of the Commission's original appropriation less any reduction excluding amounts carried forward under separate carry forward authority.

The Commission also received a Capital Reserve Fund appropriation of \$1,400,000 for education satellite service of which \$1,250,000 was expended. The remaining \$150,000 of the Capital Reserve fund appropriation was carried forward and is restricted for education satellite service as permitted by the joint resolution appropriating the funds.

NOTE 3. DEPOSITS:

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

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

<u>Financial Statements</u>		<u>Footnotes</u>	
Cash and Cash Equivalents	\$ 6,737,914	Petty Cash	\$ 200
		Deposits Held by State Treasurer	\$6,737,714
Totals	<u><u>\$ 6,737,914</u></u>	Totals	<u><u>\$ 6,737,914</u></u>

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

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 2007:

	Beginning Balances June 30, 2006	Increases	Decreases	Ending Balances June 30, 2007
Capital assets not being depreciated:				
Land and improvements	\$ 946,579	\$ -		\$ 946,579
Construction in progress	1,206,301		(1,190,001)	16,300
Total capital assets not being depreciated	<u>2,152,880</u>	<u>-</u>	<u>(1,190,001)</u>	<u>962,879</u>
Other capital assets:				
Buildings and improvements	21,887,468			21,887,468
Equipment and furniture	75,186,452	1,940,599	(568,545)	76,558,506
Vehicles	1,452,836	37,105	(27,296)	1,462,645
Total other capital assets	<u>98,526,756</u>	<u>1,977,704</u>	<u>(595,841)</u>	<u>99,908,619</u>
Less accumulated depreciation for:				
Buildings and improvements	5,811,007	418,568		6,229,575
Equipment and furniture	45,117,011	2,804,672	(530,884)	47,390,799
Vehicles	940,852	135,561	(21,671)	1,054,742
Total accumulated depreciation	<u>51,868,870</u>	<u>3,358,801</u>	<u>(552,555)</u>	<u>54,675,116</u>
Other capital assets, net	<u>46,657,886</u>	<u>(1,381,097)</u>	<u>(43,286)</u>	<u>45,233,503</u>
Total capital assets, net	<u>\$48,810,766</u>	<u>\$(1,381,097)</u>	<u>\$(1,233,287)</u>	<u>\$46,196,382</u>

Construction in progress consists of costs incurred for the future renovation of the Telecommunications building. The total cost of the 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.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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 2008 and continue through fiscal year 2012. 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 \$354,000 for the year ended June 30, 2007.

At June 30, 2007, the Commission's obligations under noncancelable operating leases having remaining terms in excess of one year are as follows:

Fiscal year ending June 30,	
2008	\$ 58,812
2009	64,173
2010	63,408
2011	63,408
2012	<u>27,832</u>
Total	<u>\$ 277,633</u>

NOTE 7. NOTE PAYABLE:

The Commission borrowed \$4,752,645 under an agreement with a local financial institution during 2003 and paid off the principal balance of a prior obligation. The note requires annual payments of principal and interest totaling \$784,789 through June 30, 2008. The interest rate on this note is 3.29% per annum. The Commission incurred \$84,000 in loan issuance cost in connection with this loan that is being amortized over the life of the loan. Current year's amortization expense was \$16,800. The note is secured by various equipment with a book value of approximately \$2,921,000.

Total interest expense on the note payable for the fiscal year was \$49,191.

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

Year ending June 30,	Principal	Interest	Total
2008	<u>\$ 759,796</u>	<u>\$ 24,993</u>	<u>\$ 784,789</u>

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 8. LONG-TERM LIABILITIES:

Long-term liability activity for the year ended June 30, 2007 was as follows:

	Balances, July 1, 2006	Additions	Reductions	Balances, June 30, 2007	Due Within One Year
Note payable	\$ 1,495,394	\$ -	\$ 735,598	\$ 759,796	\$ 759,796
Due to Corporation for Public Broadcasting	620,641		155,200	465,441	155,200
Accrued compensated absences and related benefits	1,618,499	1,236,537	1,190,682	1,664,354	1,191,000
	<u>\$ 3,734,534</u>	<u>\$ 1,236,537</u>	<u>\$ 2,081,480</u>	<u>\$ 2,889,591</u>	<u>\$ 2,105,996</u>

NOTE 9. 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, 2007 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 10. 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. During the year ended June 30, 2007, the Endowment/Communications disbursed \$3,927,807 on behalf of the Commission for programs, development, advertising and other costs. The disbursements have been recorded as revenue under contributed support and expenditures for Cultural and Performing Arts General Support and Services, Public Affairs General Support and Services and Community Education General Support and Services in the General Fund. In addition, the Commission received approximately \$1,472,000 from the Endowment/Communications which is reported primarily as contribution revenue. Also, the Commission recorded approximately \$90,000 in private grant revenues from the Endowment.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Summarized financial information for the Endowment/Communications as of and for the year ended June 30, 2007 is as follows:

	Endow ment	Communications
As of June 30, 2007		
Total assets	\$ 17,409,564	\$ 678,819
Total liabilities	\$ 1,820,775	\$ 181,298
Total net assets	15,588,789	497,521
Total liabilities and net assets	\$ 17,409,564	\$ 678,819
For year ended June 30, 2007		
Revenues	\$ 8,989,781	\$ 3,429,850
Expenses	7,376,776	3,396,413
Changes in net assets	\$ 1,613,005	\$ 33,437

NOTE 11. 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 \$71,700 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 \$970,000 were received from various State agencies.

During the fiscal year, the Commission purchased services with a total cost of approximately \$1,153,000 from various State agencies. These expenditures are reported primarily under the classification of Internal Administration primarily for taxes, insurance, telecommunications and other contracted services.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 12. 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 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, 2006, the employer contribution rate became 11.40 percent which included a 3.35 percent surcharge to fund retiree health and dental insurance coverage. The Commission's actual contributions to the SCRS for the years ended June 30, 2007, 2006, and 2005, were approximately \$781,000, \$724,000, and \$701,000, respectively, and equaled the required contributions of 8.05 for 2007 and 7.55 percent for 2006 and 2005 (excluding the surcharge) for each year. Also, the Commission paid employer group-life insurance contributions of approximately \$14,500 in the current fiscal year at the rate of .15 percent of compensation.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple employer defined benefit public employee retirement system. Generally, all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to the System as a condition of employment. This plan provides annuity benefits as well as disability and group-life insurance benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Employees covered under PORS are eligible for a monthly pension payable at age 55 with a minimum of five years service or 25 years credited service regardless of age. In addition, employees who have five years of credited service prior to age 55, can retire yet defer receipt of benefits until they reach age 55. A member is vested for a deferred annuity with five years service. The benefit formula for full benefits effective since July 1, 1989, for the PORS is 2.14 percent of the employee's average final salary multiplied by the number of years of credited service.

Disability annuity benefits and the group-life insurance benefits for PORS members are similar to those for SCRS participants. Accidental death benefits provide a monthly pension of 50 percent of the member's budgeted compensation at the time of death.

Since July 1, 1988, employees participating in the PORS have been required to contribute 6.5 percent of all compensation. Effective July 1, 2006, the employer contribution rate became 13.65 percent which, as for the SCRS, included the 3.35 percent surcharge. The Commission's actual contributions to the PORS for the years ended June 30, 2007, and 2006 were approximately \$4,200, and \$7,400 and equaled the required contributions of 10.3 percent (excluding the surcharge) for each year. Also, the Commission paid employer group-life insurance contributions of approximately \$80 and accidental death insurance contributions of approximately \$80 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is .20 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 fund recognizes no contingent liability for unfunded costs associated with participation in the plans. At retirement, employees participating in the SCRS may receive additional service credit (at a rate of 20 days equal to one month of service) for up to 90 days for accumulated unused sick leave.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

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Certain State employees may elect to participate in the Optional Retirement Program (ORP), a defined contribution plan. The ORP was established in 1987 under Title 9, Chapter 17, of the South Carolina Code of Laws. The ORP provides retirement and death benefits through the purchase of individual fixed or variable annuity contracts that are issued to, and become the property of, the participants. The State assumes no liability for this plan other than for payment of contributions to designated insurance companies. To elect participation in the ORP, eligible employees must irrevocably waive SCRS membership within their first ninety days of employment. Under State law, contributions to the ORP are required at the same rates as for the SCRS, 8.05 percent plus the retiree surcharge of 3.35 percent from the employer in fiscal year 2007.

For the fiscal year, total contributions requirements to the ORP were approximately \$11,300 (excluding the surcharge) from the Commission as employer and approximately \$9,100 from its employees as plan members. Also, the Commission paid employer group life insurance contributions of approximately \$200 in the current fiscal year at the rate of .15 percent of compensation. The balance was remitted directly to the respective annuity policy providers. The obligation for payment of benefits resides with the insurance companies.

NOTE 13. POST RETIREMENT AND OTHER EMPLOYEE BENEFITS:

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

These benefits are provided through annual appropriations by the General Assembly to the Commission for its active employees and to the State Budget and Control Board for all participating State retirees except the portions funded through the pension surcharge and provided from other applicable fund sources of the Fund for its active employees who are not funded by State General Fund appropriations. The State finances health and dental plan benefits on a pay-as-you-go basis. Approximately 30,200 State retirees met these eligibility requirements as of June 30, 2007.

The Commission recorded employer contribution expenses applicable to these insurance benefits for active employees in the amount of approximately \$870,000 for the year ended June 30, 2007. As discussed in Note 12, the Fund paid approximately \$331,000 applicable to the 3.35 percent surcharge included with the employer contributions for retirement benefits. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Office of Insurance Services for retiree health and dental insurance benefits. Information regarding the cost of insurance benefits applicable to Commission retirees is not available. By State law, the Fund has no liability for retirement benefits. Accordingly, the cost of providing these benefits for retirees is not included in the accompanying financial statements. In addition, the South Carolina General Assembly periodically directs the Retirement Systems to pay supplemental (cost of living) increases to retirees. Such increases are primarily funded from the System's earnings; however, a portion of the required amount is appropriated from the South Carolina General Fund annually.

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JUNE 30, 2007

NOTE 14. 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 15. RISK MANAGEMENT:

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

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

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

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

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

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

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

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

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, 2007.

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, 2007, 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, 2007 and the amount of the loss is reasonably estimable have not been satisfied.

In the fiscal year ended June 30, 2007, 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, 2007, the Commission did not experience any losses as a result of business interruption.

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

NOTE 16. COMMITMENTS:

As of June 30, 2007, the Commission had approximately \$94,000 in outstanding commitments primarily for purchases of supplies and equipment. The funding sources for these commitments consist primarily of capital projects and other operating sources.

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. The Commission plans to request state funding to renovate the unfinished portions of the telecommunications building. Under current law any sales proceeds would be remitted to the general fund of the State.

**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, 2007, and have issued our report thereon dated December 14, 2007. 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. We consider the deficiencies described as items 07-1 to 07-4 to be significant deficiencies in internal control over financial reporting.

07-1 Accounts Receivable Misstated

In our testing of amounts reported as accounts receivable, we found the following:

1. Two invoices totaling \$3,400 that were for goods or services provided subsequent to June 30, 2007 were included in accounts receivable.
2. An invoice was included in accounts receivable for its original amount but did not take into account a corrected invoice issued causing accounts receivable to be overstated by approximately \$6,800.

Accounts receivable were overstated because of the above conditions. Good internal controls provide for a system to ensure that all receivables are accurately reported.

Going beyond the numbers.

We recommend that the Commission ensure that accounts receivable only include amounts for goods or services provided as of June 30th and that a system be put in place so that accounts receivable include the actual amount owed including any revised invoices.

07-2 Errors in Leave Taken Report

Commission personnel prepared a report of leave taken during the year to use in preparing the note on changes in long-term debt. Our testing of this report disclosed the following:

1. The amount of leave used during the year was understated by approximately \$9,800 because of mathematical errors with the formulas on the excel spreadsheet.
2. Two employees of the twenty five tested used the prior year's payroll rates instead of the current years in calculating the amount of leave taken.
3. Five employees of the twenty five tested had annual leave hours taken in the prior fiscal year included in the current year's hours. Commission personnel reworked the report based on this finding and determined that 942 hours of prior year leave had been included in the current year in error.
4. One employee reported 40 hours of leave in excess of the amount taken because a leave adjustment slip had not been taken into account.
5. One employee had 8 hours of leave taken that did not show up on the report.

Because of the above errors, there was a reduction in the amount of annual leave actually taken during the year between the original and revised report of approximately \$14,000.

Good internal controls provide for a system to ensure the accurate preparations of reports used in preparing the financial statements.

We recommend that the Commission ensure that all reports prepared to support amounts reported in the financial statements are accurate.

07-3 Capital Assets Overstated

Our testing of the listings of fire department's capital assets disclosed the following:

1. In one department, approximately \$979,000 of equipment that was taken out of service in the summer of 2006 when the Commission converted from analog to digital equipment had not been deleted. Also, approximately \$16,000 in assets that were not located during the last inventory in 2006 were still on the listing and the listing contained approximately \$11,000 of equipment that was broken and had not been used in about 5 years according to Commission personnel.
2. One department had approximately \$11,000 in replacement parts that had been listed as a separate capital asset. Also, approximately \$8,400 in maintenance agreement had been capitalized and approximately \$10,000 in assets had not been used in 3 or 4 years according to Commission personnel.
3. A department had 2 assets with a cost of approximately \$22,000 that had not been used in 3 or 4 years according to Commission personnel.

The Commission does not have a formal policy on retiring assets and notifying State Surplus Property when assets are no longer being used. Many assets are kept on hand for spare parts. Most of the assets are fully depreciated. Some of these deficiencies could exist because the Commission did not perform an annual inventory as noted below in item 07-5.

We recommend that the Commission formalize a policy on the handling and reporting of capital assets that are no longer in use. This policy should be approved by State Surplus Property.

07-4 Accounts Payable Understated

Our testing of the amounts reported as accounts payable disclosed that the Commission understated accounts payable by approximately \$5,200 for one utility bill. The closing package instructions provided by the State Comptroller General requires the Commission to report utility bills as accounts payable if less than twelve months of payments were made during the fiscal year.

We recommend that the Commission ensure that all accounts payable are properly recorded.

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. However, we believe that the significant deficiencies describe above are material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described below under item 07-5.

07-5 Annual Personal Property Inventory Not Performed

The Commission did not perform an annual inventory of personal property as required under Section 10-1-140 of the South Carolina Code of Laws. The failure to perform this annual inventory could have contributed to some of the conditions noted in item 07-3 above.

We recommend that the Commission perform an annual inventory as required.

We also noted certain matters as described below.

07-5 Violations of Commission's Procurement Card Policies

We tested one month's charges on the Commission's procurement cards. We noted five instances of employees not following the Commission's policy that no single item cost greater than \$500. The costs of these five items ranged from \$975 to \$2,498.

We also noted one charge for \$725 for which the supporting receipt could not be located. The policy and procedures manual requires all sales receipts, etc. to be turned in on a weekly basis.

The Commission's policy manual states that "misuse of the card will subject the cardholder to disciplinary action in accordance with ETV Policies and Procedures...".

We recommend that the Commission enforce its policies related to procurement cards.

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

Rogers Lalan, PA

December 14, 2007

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007**

During our current audit, we reviewed the status of corrective action taken on the findings we reported in our report on the financial statements of the Commission dated January 4, 2007 resulting from the audit of the financial statements for the year ended June 30, 2006. We determined that the Commission had taken adequate corrective action on all off the findings reported except for the over-reporting of accounts receivable.

CORRECTIVE ACTION PLAN

APPENDIX A



CORRECTIVE ACTION PLAN

December 14, 2007

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, 2007.

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 December 14, 2007. Each audit recommendation is repeated prior to our response and numbered as in the audit report.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

07-1 Accounts Receivable Misstated

Recommendation:

We recommend that the Commission ensure that accounts receivable only include amounts for goods or services provided as of June 30th and that a system be put in place so that accounts receivable include the actual amount owed including any revised invoices.

SC ETV Corrective Action:

The Commission concurs that all accounts receivable should only include amounts for goods or services provided as of June 30th. Accounts receivable staff will be reminded not to issue any invoices in the current year goods or services not yet provided. Accounts receivable staff will also be instructed to provide a copy of all revised invoices to the preparer of the Commission's closing package and financial statements.

07-2 **Errors in** Leave Taken Report

Recommendation:

We recommend that the Commission ensure that all reports prepared to support amounts reported in the financial statements are accurate.

SC ETV Corrective Action:

The Commission concurs that the leave taken report should reflect an accurate balance for financial statement reporting. Human Resource staff members are aware of the manual process to prepare the report and will begin the compiling of the report sooner. The report will be reviewed by the preparer of the financial statements to help identify any potential errors.

07-3 Capital **Assets Overstated**

Recommendation:

We recommend that the Commission formalize a policy on the handling and reporting of capital assets that are no longer in use. This policy should be approved by State Surplus Property.

SC ETV Corrective Action:

We concur with this recommendation. Commission staff from administration and engineering will work together to develop a policy that addresses assets no longer being used but not yet surplus and removed from the Commission's inventory records. The Commission will seek input from the State Surplus Property division before implementing any changes.

07-4 **Accounts Payable Understated**

Recommendation:

We recommend that the Commission ensure that all accounts payable are properly recorded.

SC ETV Corrective Action:

We concur that all accounts payable should be properly recorded. In the future, the accounts payable closing package preparer will verify that there were at least twelve payments during the current year to determine if an accounts payable should be recorded for utility payments.

COMPLIANCE AND OTHER MATTERS

07-5 Annual Personal Property Inventory Not Performed

Recommendation:

We recommend that the Commission perform an annual inventory as required.

SC ETV Corrective Action:

We concur that an annual inventory must be performed. The Commission has moved the start date for its annual inventory to October. The earlier start date will help ensure an inventory is completed before the fiscal year end each year.

07-6 Violations of Commission's Procurement Card Policies

Recommendation:

We recommend that the Commission enforce its policies related to procurement cards.

SC ETV Corrective Action:

We concur that policies should be followed in the use of the procurement card. Accounting department staff will ensure that all card users have up to date policies on procurement card usage and the policies are followed.

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

Sincerely,



David L. Crouch
Senior Vice President, Administration