

**VIRGINIA PUBLIC BROADCASTING BOARD
RICHMOND, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2000**



AUDIT SUMMARY

Our audit of the Virginia Public Broadcasting Board for the year ended June 30, 2000, found:

- the financial statements are presented fairly, in all material respects;
- no material weaknesses in the internal controls tested; and
- no material instances of noncompliance with laws and regulations that are required to be reported.

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October 11, 2000

The Honorable James S. Gilmore, III
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Vincent F. Callahan, Jr.
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

We have audited the accounts and records of the **Virginia Public Broadcasting Board** as of and for the year ended June 30, 2000, and submit herewith our complete reports on financial statements and compliance and internal control over financial reporting.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the balance sheet of the Virginia Public Broadcasting Board as of and for the year ended June 30, 2000, and the related statements of revenues, expenditures, and changes in fund balance for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Virginia Public Broadcasting Board as of June 30, 2000, and the revenues, expenditures, and changes in fund balance for the year then ended, in conformity with generally accepted accounting principles.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements of the Virginia Public Broadcasting Board as of and for the year ended June 30, 2000, we considered internal controls over financial reporting and tested compliance with certain provisions of laws, regulations, contracts, and grants in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

Compliance

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

Internal Control Over Financial Reporting

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

The Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting is intended solely for the information and use of the Governor and General Assembly of Virginia and the Virginia Public Broadcasting Board members, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

EXIT CONFERENCE

We discussed this report with management on October 17, 2000.

AUDITOR OF PUBLIC ACCOUNTS

DBC/kva
kva:37

FINANCIAL STATEMENTS

VIRGINIA PUBLIC BROADCASTING BOARD
BALANCE SHEET
As of June 30, 2000

Assets:

| | |
|---------------------------|------|
| Cash and Cash Equivalents | \$ - |
|---------------------------|------|

| | |
|--------------|-------------|
| Total Assets | <u>\$ -</u> |
|--------------|-------------|

Liabilities and Fund Balance:

| | |
|-------------------------|-------------|
| Unreserved Fund Balance | <u>\$ -</u> |
|-------------------------|-------------|

| | |
|------------------------------------|-------------|
| Total Liabilities and Fund Balance | <u>\$ -</u> |
|------------------------------------|-------------|

The accompanying notes to financial statements are an integral part of this statement.

VIRGINIA PUBLIC BROADCASTING BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
As of June 30, 2000

Revenues:

| | |
|---|--------------|
| Appropriations from the General Fund of the Commonwealth (net of reversions of \$3,200) (Note 3) | \$ 8,874,216 |
|---|--------------|

Expenditures:

| | |
|---|------------------|
| Financial assistance for educational telecommunications | 3,648,973 |
| Financial assistance for public broadcasting | 5,225,243 |
| | <u>8,874,216</u> |

| | |
|--------------------------------------|---|
| Excess of revenues over expenditures | - |
|--------------------------------------|---|

| | |
|------------------------------|----------|
| Fund Balance -- July 1, 1999 | <u>-</u> |
|------------------------------|----------|

| | |
|--|--------------------|
| Fund Balance -- June 30, 2000 (Note 2) | <u><u>\$ -</u></u> |
|--|--------------------|

The accompanying notes to financial statements are an integral part of this statement.

VIRGINIA PUBLIC BROADCASTING BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
As of June 30, 2000

| | Budget | Actual | Variance Favorable (Unfavorable) |
|---|--------------|--------------|--|
| Revenues: | | | |
| Appropriations from the General Fund of the Commonwealth | \$ 8,877,416 | \$ 8,874,216 | \$ (3,200) |
| Expenditures: | | | |
| Financial assistance for educational telecommunications | 3,649,050 | 3,648,973 | 77 |
| Financial assistance for public broadcasting | 5,228,366 | 5,225,243 | 3,123 |
| Total Expenditures | 8,877,416 | 8,874,216 | 3,200 |
| Deficiency of revenues over expenditures | - | - | - |
| Fund Balance -- July 1, 1999 | - | - | - |
| Fund Balance -- June 30, 2000 | \$ - | \$ - | \$ - |

The accompanying notes to financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

VIRGINIA PUBLIC BROADCASTING BOARD

NOTES TO FINANCIAL STATEMENTS

AS OF JUNE 30, 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Virginia Public Broadcasting Board (the Board) was created by Chapter 35.2, Title 2.1, of the *Code of Virginia*. The Board was established on July 1, 1997 to support television and radio public broadcasting for the education, public awareness, entertainment, and economic benefit of the Commonwealth's citizens. The Board was further established as a separate agency of the Commonwealth on July 1, 1999.

A separate report is prepared for the Commonwealth of Virginia, which includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The Board is a component unit of the Commonwealth of Virginia and is included in the general-purpose financial statements of the Commonwealth.

B. Basis of Accounting

Basis of accounting is the concept that determines the timing of revenue and expense (or expenditure) recognition and reporting in the financial statements.

Governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized in the accounting period when they become both measurable and available to finance operations or to liquidate liabilities existing at year-end. Expenditures are recognized when the related liability is incurred through the receipt of goods or services, although payment may occur at a later date.

C. Budgets and Budgetary Accounting

The Board's budget was established by the Appropriation Act as enacted by the General Assembly of Virginia for the biennium ended June 30, 2000. No payments can be made out of the State treasury, except in pursuance of appropriations made by law.

The General Fund budget is prepared on the cash basis. Since the budgetary (cash) basis may differ from the GAAP (modified accrual) basis, a reconciliation of the difference between the two bases is presented in Note 2.

2. RECONCILIATION OF BUDGETARY BASIS FUND BALANCE TO GAAP BASIS FUND BALANCE

As previously mentioned in Note 1C, the General Fund budget is prepared on a cash basis. The "Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Budgetary Basis" is presented in accordance with the budgetary (cash) basis of accounting to provide a meaningful comparison of actual results with the budget. The differences between the budgetary (cash) and modified accrual (GAAP) bases are:

Budgetary basis revenues are recorded when cash is received, and GAAP basis revenues are recorded when they become both measurable and available to finance operations or to liquidate liabilities existing at year-end.

Budgetary basis expenditures are recorded when paid, and GAAP basis expenditures are recorded when the liability is incurred.

No adjustments were necessary to convert the fund balances of the General Fund from a budgetary basis to a GAAP basis.

3. APPROPRIATIONS

The Appropriation Act, as set forth in the Acts of Assembly of 2000, Chapter 1072, provides for the reappropriation of General Fund appropriations which were unexpended at the end of fiscal year 2000 subject to the prior written approval of the Governor, except as may be specifically provided otherwise by the General Assembly. At the end of fiscal year 2000, the Board had an unexpended appropriation of \$3,200, which was not approved for reappropriation. Therefore, a General Fund reversion was recorded in the accompanying financial statements.

The original appropriations for the General Fund have been adjusted as follows:

| | <u>General Fund</u> |
|--|---------------------|
| Original appropriation | \$ 8,927,416 |
| Appropriation adjustments: | |
| Transfer out to House and Senate for renovation of the General Assembly broadcasting studio | (50,000) |
| Reversions | <u>(3,200)</u> |
| Appropriations as adjusted | <u>\$ 8,874,216</u> |

4. SURETY BOND

Certain employees of the Department of General Services are responsible for maintaining the accounting records of the Board. The employees of the Department were covered by a Faithful Performance Duty Bond administered by the Commonwealth of Virginia's Department of General Services, Division of Risk Management with liability limits of \$500,000 for each occurrence.

Information relating to the Commonwealth's self-insurance plans is available at the statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

VIRGINIA PUBLIC BROADCASTING BOARD
Richmond, Virginia

BOARD MEMBERS

As of June 30, 2000

John W. Hunter, Chairman

By Appointment

John David Cave
Edward W. Early
Dee E. Floyd
Ruth S. Hawkins
David M. Hummel

Donald M. Moon
Benjamin W. Robertson
William A. Russell, Jr.
S. Strother Smith, III
Irving B. Taylor, Jr.

By Virtue of Office

Mary Ann Conrad
G. Paul Nardo

Sandra Rusak
Kirk T. Schroeder