

**VIRGINIA PUBLIC BROADCASTING BOARD  
RICHMOND, VIRGINIA**

**REPORT ON AUDIT  
FOR THE YEAR ENDED  
JUNE 30, 2003**

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***APA***

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**Auditor of  
Public Accounts**

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**COMMONWEALTH OF VIRGINIA**

## **AUDIT SUMMARY**

Our audit of the Virginia Public Broadcasting Board for the year ended June 30, 2003, found:

- the accompanying financial statement is presented fairly in accordance with the cash basis of accounting;
- no material weaknesses in the internal control over financial reporting; and
- no instances of noncompliance with material laws and regulations tested.

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BOARD MEMBERS

October 27, 2003

The Honorable Mark R. Warner  
Governor of Virginia

The Honorable Kevin G. Miller  
Chairman, Joint Legislative Audit  
and Review Commission

Board Members  
Virginia Public Broadcasting Board

We have audited the accounts and records of the **Virginia Public Broadcasting Board** (Board) as of and for the year ended June 30, 2003, and submit herewith our complete reports on the financial statement and compliance and internal control over financial reporting.

#### INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENT

We have audited the accompanying cash basis financial statement of the Virginia Public Broadcasting Board, an agency of the Commonwealth of Virginia, as of and for the year ended June 30, 2003, as listed in the Table of Contents. This financial statement is the responsibility of the Board's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

As discussed in Note 1, the Virginia Public Broadcasting Board prepares its financial statement on the cash basis, which is a comprehensive basis of accounting other than the generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material aspects, the cash balances of the Virginia Public Broadcasting Board as of June 30, 2003, and the revenues collected and expenses paid for the year then ended on the basis of accounting described in Note 1.

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

In planning and performing our audit of the financial statement of the Virginia Public Broadcasting Board as of and for the year ended June 30, 2003, we considered internal controls over financial reporting and tested compliance with certain provisions of laws, regulations, contracts, and grants 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.

Compliance

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

Internal Control over Financial Reporting

In planning and performing our audit, we considered the 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 statements 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 consider to be material weaknesses.

EXIT CONFERENCE

We discussed this report with management on November 4, 2003.

AUDITOR OF PUBLIC ACCOUNTS

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VIRGINIA PUBLIC BROADCASTING BOARD  
CASH BASIS STATEMENT OF REVENUE COLLECTED, EXPENSES PAID, AND  
CHANGES IN CASH BALANCE - GENERAL FUND  
BUDGET AND ACTUAL  
For the Year Ended June 30, 2003

	Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
Revenue:				
Appropriations from the General Fund of the Commonwealth of Virginia (Note 2)	\$ 8,262,416	\$ 6,580,307	\$ 6,580,307	\$ -
Expenditures:				
Financial assistance for educational telecommunications	3,512,316	2,777,545	2,777,545	-
Financial assistance for special education instruction	170,734	158,782	157,570	1,212
Financial assistance for public broadcasting	4,579,366	3,643,980	3,643,972	8
Total expenditures	8,262,416	6,580,307	6,579,087	1,220
Excess of revenue over expenditures	-	-	1,220	1,220
Cash balance, Beginning of year	-	-	-	-
Cash balance, End of year (Note 3)	\$ -	\$ -	\$ 1,220	\$ 1,220

The accompanying Notes to the Financial Statement are an integral part of this statement.

VIRGINIA PUBLIC BROADCASTING BOARD

NOTES TO THE FINANCIAL STATEMENT

AS OF JUNE 30, 2003

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 supports television and radio public broadcasting for the education, public awareness, entertainment, and economic benefit of the Commonwealth's citizens.

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 an agency of the Commonwealth of Virginia and is included in the basic financial statements of the Commonwealth.

B. Fund Accounting

The General Fund is the operating fund of the Board. It is used to account for all appropriations from the General Fund of the Commonwealth. General operating expenses are paid through this fund.

C. Basis of Accounting

Basis of accounting is the concept that determines the timing of revenue and expenditure recognition and reporting in the financial statements. The financial records of the Board are maintained on the cash basis of accounting, reflecting only revenues received and expenditures paid. Therefore, receivables and payables, inventories, and equipment and depreciation, which are not material in amount, are not reflected and these statements do not present the overall financial position or results of operations of the Board. The statement is presented on the cash basis of accounting, which demonstrates compliance with the budget laws of the Commonwealth of Virginia.

Appropriations from the Commonwealth are recorded when measurable and deemed available by the State Comptroller to finance operations during the fiscal year. Appropriations are authorizations to spend funds from the General Fund of the Commonwealth and have been reported as revenue available to the Board. All appropriations which have not been disbursed by the end of the fiscal year are unexpended and revert to the General Fund of the Commonwealth.

D. 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, 2004. No payments can be made out of the state treasury, except in pursuance of appropriations made by law.

The budget is prepared principally on the cash basis. Original budgeted amounts reported in the financial statements are as originally appropriated to the Board and final budgeted amounts are net of adjustments authorized by the General Assembly.

2. APPROPRIATIONS

The original appropriation for the General Fund has been adjusted as follows:

Original appropriation	\$ 8,262,416
Appropriation adjustments:	
Legislative reductions	<u>(1,682,109)</u>
Appropriation as adjusted	<u>\$ 6,580,307</u>

3. CASH BALANCE

The cash balance at the end of the year represents unspent appropriations held as cash with the Treasurer of Virginia.

4. SUBSEQUENT EVENT

Pursuant to Item 93F of Chapter 1042 of the 2003 Acts of the Assembly, the Board was transferred to the Secretary of Administration effective July 1, 2003. The powers and duties heretofore exercised by the Board are now vested in the Secretary of Administration and the Board will now operate as a policy making board.

5. SURETY BOND

Certain employees of the Department of General Services are responsible for maintaining the accounting records of the Board. Such employees were covered under a Faithful Performance Blanket Position Bond with coverage in the amount of \$50,000 for each employee with a deductible clause of \$2,500 for each loss, and an Excess Faithful performance Blanket Bond with coverage in the amount of \$450,000 for each loss in excess of the coverage as provided by the aforementioned bond, both with the Fidelity and Deposit Company of Maryland, as surety.

VIRGINIA PUBLIC BROADCASTING BOARD  
Richmond, Virginia

BOARD MEMBERS

As of June 30, 2003

Magda A. Ratajski, Chairman

By Appointment

John David Cave	Judith C. McFarlane
Adrian Cronauer	Janet T. Muldoon
Karen Duffy	Jackson E. Reasor
Edward W. Early	Benjamin W. Robertson
Dee E. Floyd	S. Strother Smith III

Irving B. Taylor, Jr.

By Virtue of Office

Carl N. Kelly	Sandra Rusak
Thomas Jackson	Robert Wrenn