

# **Virgin Islands Public Television System**

(A Component Unit of the Government of the United States Virgin Islands)

## **AUDITED FINANCIAL STATEMENTS**

**Years Ended September 30, 2014 and 2013**

Benham, Hodge & Upson, P.C.  
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**Virgin Islands Public Television System**  
(A Component Unit of the Government of the United States Virgin Islands)

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**Report of Independent Auditors**

To the Board of Directors  
Virgin Islands Public Television System

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Virgin Islands Public Television System (the System), a component unit of the Government of the U.S. Virgin Islands, as of and for the years ended September 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in *Governmental 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 financials are free from material misstatement.

To the Board of Directors  
Virgin Islands Public Television System  
*Continued*

An audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Basis for Qualified Opinion**

The System does not maintain sufficient documentation to reconcile capital assets reported in the financial statements, to the underlying detail records. Therefore, these amounts could not be substantiated, and we were unable to determine whether they are fairly stated. Had reconciled capital asset records been available, adjustments might have been necessary to fairly state capital assets reported.

The System does not maintain sufficient documentation to identify certain other operating revenues. Therefore, these amounts could not be substantiated, and we were unable to determine whether they are fairly stated. Had supporting documents been available, adjustments might have been necessary to fairly state other operating revenues reported.

### **Qualified Opinion**

In our opinion, except for the possible effects of the matters discussed in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the System as of September 30, 2014 and 2013, and the changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors  
Virgin Islands Public Television System  
*Continued*

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 5-11, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's financial statements, as of and for the years ended September 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents. The statements of functional expenses on page 25 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The statements of functional expenses are the responsibility of the management of the System and are derived from and relate directly to the underlying accounting records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and certain additional procedures including comparing and reconciling such information to the basic financial statements in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statements of functional expenses are fairly stated in all material respects to the basic financial statements as a whole.

To the Board of Directors  
Virgin Islands Public Television System  
*Continued*

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2015, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

  
Benham, Hodge & Upson, PC  
St. Thomas, U.S. Virgin Islands

January 12, 2015

**Virgin Islands Public Television System**  
(A Component Unit of the Government of the United States Virgin Islands)

**Management's Discussion and Analysis**

**Years Ended September 30, 2014 and 2013**

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The purpose of the following management's discussion and analysis of the financial performance and activity of the Virgin Islands Public Television System (the System) is to help the readers understand the basic financial statements of the System for the years ended September 30, 2014 and 2013, with selected comparative information for the year ended September 30, 2012. This discussion has been prepared by management and should be read in conjunction with the basic financial statements, supplementary information and the notes thereto, which follow this section.

**Reporting Entity**

The System is a public corporation and an autonomous governmental instrumentality of the Government of the U.S. Virgin Islands. It owns and operates the public television station of the U.S. Virgin Islands with the call letters WTJX-TV, created by Act No. 2364 on November 15, 1968, to provide educational television services in the U.S. Virgin Islands, and to advance the general welfare, cultural development, and awareness of public affairs of the general population. The System is a member of the Public Broadcasting System (PBS), a media foundation that provides grants and services to public and non-commercial stations.

**Overview of the Financial Statements**

The System's financial report includes three financial statements: the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, and the Statements of Cash Flows. In addition to the three financial statements, the System has presented the Statements of Functional Expenses as supplementary information. The financial statements, and supplementary information, are prepared in accordance with accounting principles generally accepted in United States of America.

The *Statements of Net Position* report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of September 30, 2014 and 2013. The System's net position is the difference between (a) assets and deferred outflows of resources, and (b) liabilities and deferred inflows of resources. Over time, the increase or decrease in net position may serve as a useful indicator of whether the financial position of the System is improving or deteriorating.

The *Statements of Revenues, Expenses and Changes in Net Position* presents information showing how the System's net position changed during the two most recent fiscal years, focusing on operating revenues and expenses, including support provided by grants from the Government of the Virgin Islands and the Corporation for Public Broadcasting (CPB).

The *Statements of Cash Flows* presents information related to cash inflows and outflows, summarized by operating, financing and investing activities. The Statements indicate the financial viability of the System to meet financial obligations as they occur.

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**Management's Discussion and Analysis**

**Years Ended September 30, 2014 and 2013**

**Summary of Financial Results**

*Statements of Net Position*--Table 1 summarizes the System's Statements of Net Position as of September 30, 2014, 2013, and 2012.

*Table 1: Summary of Statements of Net Position*

	<u>September 2014</u>	<u>September 2013</u>	<u>September 2012</u>
Unrestricted current assets	\$ 1,779,323	\$ 1,658,216	\$ 2,424,828
Restricted current assets	43,366	597,044	57,266
Capital assets	<u>5,607,990</u>	<u>6,356,097</u>	<u>5,648,497</u>
Total assets	<u>\$ 7,430,679</u>	<u>\$ 8,611,357</u>	<u>\$ 8,130,591</u>
Current liabilities	<u>437,209</u>	<u>1,518,485</u>	<u>385,199</u>
Total liabilities	<u>\$ 437,209</u>	<u>\$ 1,518,485</u>	<u>\$ 385,199</u>
Net position:			
Invested in capital assets	\$ 5,607,990	\$ 6,356,097	\$ 5,648,497
Restricted	43,366	597,044	57,266
Unrestricted	<u>1,342,114</u>	<u>139,731</u>	<u>2,039,629</u>
Total net position	<u>\$ 6,993,470</u>	<u>\$ 7,092,872</u>	<u>\$ 7,745,392</u>

For Fiscal Year 2014, the System's assets amounted to \$7.4 million, of which \$904 thousand represented unrestricted cash and cash equivalents, \$43 thousand represented cash and cash equivalents restricted in purpose, \$63 thousand represented trade and other receivables, \$132 thousand was due from the Government of the Virgin Islands, \$678 thousand represented prepaid expenses and \$5.6 million represented capital assets net of depreciation. Total current assets decreased in fiscal year 2014 by \$432 thousand mainly due to a decrease in restricted cash of \$554 thousand as a result of payments made to the Corporation for Public Broadcasting for fiscal year 2015 dues and offset by an increase in receivables of \$132 thousand for an operating allotment due from the Government of the Virgin Islands. Total liabilities amounted to \$437 thousand and decreased by \$1.08 million mainly due to a decrease in accrued programming dues payable to Public Broadcasting Service of \$765 thousand and a decrease in accounts payable of \$230 thousand.

For Fiscal Year 2013, the System's assets amounted to \$8.6 million, of which \$988 thousand represented unrestricted cash and cash equivalents, \$597 thousand represented cash and cash equivalents restricted in purpose, \$51 thousand represented trade and other receivables, \$618 thousand represented prepaid expenses and \$6.4 million represented capital assets net of depreciation. Total current assets decreased in

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**Management's Discussion and Analysis**

**Years Ended September 30, 2014 and 2013**

fiscal year 2013 by \$227 thousand mainly due to a decrease in accounts receivable of \$788 thousand as a result of grant revenues received before the fiscal year-end, and offset by an increase in restricted current assets of \$540 thousand. Total liabilities amounted to \$1.5 million and increased by \$1.1 million mainly due to an increase in accounts payable of \$262 thousand and programming dues payable to Public Broadcasting Service of \$765 thousand.

For Fiscal Year 2012, the System's assets amounted to \$8.1 million, of which \$985 thousand represented unrestricted cash and cash equivalents, \$57 thousand represented cash and cash equivalents restricted in purpose, \$839 thousand represented trade and other receivables, \$601 thousand represented prepaid expenses and \$5.6 million represented capital assets net of depreciation. Total current assets increased in fiscal year 2012 by \$2 thousand mainly due to the net effect of a decrease in cash and cash equivalents of \$327 thousand, offset by an increase in other receivables of \$329 thousand. Total liabilities amounted to \$385 thousand and increased mainly due to a \$19 thousand increase in accounts payable.

*Statements of Revenues, Expenses and Changes in Net Position*--Table 2 summarizes the activities of the System as of September 30, 2014, 2013, and 2012.

**Table 2: Summary of Statements of Revenues, Expenses and Changes in Net Position**

	<u>September 2014</u>	<u>September 2013</u>	<u>September 2012</u>
Operating revenues			
Grant revenue	\$ 5,254,624	\$ 5,148,409	\$ 5,022,244
Other income	511,712	289,866	658,212
Total operating revenue	<u>\$ 5,766,336</u>	<u>\$ 5,438,275</u>	<u>\$ 5,680,456</u>
Operating expenses			
Program services	\$ 4,167,927	\$ 4,375,817	\$ 4,267,427
Management and general	1,697,608	1,911,302	1,825,656
Fundraising expenses	3,558	11,502	49,086
Total operating expenses	<u>\$ 5,869,093</u>	<u>\$ 6,298,621</u>	<u>\$ 6,142,169</u>
Non-operating revenue - interest income	<u>\$ 3,355</u>	<u>\$ 3,639</u>	<u>\$ 6,338</u>
Change in net position	<u>\$ (99,402)</u>	<u>\$ (856,707)</u>	<u>\$ (455,375)</u>
Net position - beginning of year	\$ 7,092,872	\$ 7,745,392	\$ 8,071,485
Restatements - correction of errors	-	204,187	129,282
Net position - end of year	<u>\$ 6,993,470</u>	<u>\$ 7,092,872</u>	<u>\$ 7,745,392</u>

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**Management's Discussion and Analysis**

**Years Ended September 30, 2014 and 2013**

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For Fiscal Year 2014, operating revenues of \$5.8 million reflect grants from the Government of the Virgin Islands of \$4.1 million, grants from the CPB of \$1 million, other grant awards of \$153 thousand, underwriting revenue of \$140 thousand, fundraising revenue of \$24 thousand, tower space rental income of \$98 thousand and other revenue of \$249 thousand. Operating revenues increased by \$328 thousand from the previous year mainly due to an increase in other revenue of \$217 thousand, and an increase in grant revenues of \$106 thousand. The Corporation's expenses included programming service expense of \$4.2 million, management and general expenses of \$1.7 million, and fundraising expenses of \$3 thousand. Decreases in operating expenses of \$429 thousand, are mainly due to decreases in program service expense of \$208 thousand, decreases in management and general expense of \$214 thousand, and decreases in fundraising expense of \$8 thousand.

For Fiscal Year 2013, operating revenues of \$5.4 million reflect grants from the Government of the Virgin Islands of \$3.7 million, grants from the CPB of \$1.2 million, other grant awards of \$187 thousand, underwriting revenue of \$105 thousand, fundraising revenue of \$73 thousand, tower space rental income of \$76 thousand and other revenue of \$34 thousand. Operating revenues decreased by \$242 thousand from the previous year mainly due to decreases in underwriting revenue of \$124 thousand, decreases in fundraising revenue of \$49 thousand and decreases in other revenue of \$190 thousand, offset by an increase in grant revenues of \$126 thousand. The Corporation's expenses included programming service expense of \$4.3 million, management and general expenses of \$1.9 million, and fundraising expenses of \$11 thousand. Operating expenses increased by \$156 thousand, mainly due to increases in program services of \$108 thousand, increases in management and general expenses of \$86 thousand, offset by decreases in fundraising expense of \$38 thousand.

For Fiscal Year 2012, operating revenues of \$5.7 million reflect grants from the Government of the Virgin Islands of \$3.9 million, grants from the CPB of \$1.1 million, underwriting revenue of \$230 thousand, fundraising revenue of \$123 thousand, tower space rental income of \$79 thousand and other revenue of \$226 thousand. Operating revenues decreased by \$478 thousand from the previous year mainly due to decreases in grant revenue of \$830 thousand, offset by increases in underwriting revenue of \$134 thousand, increases in fundraising revenue of \$77 thousand and increases in other revenue of \$174 thousand. The Corporation's expenses included programming service expense of \$4.3 million, management and general expenses of \$1.8 million, and fundraising expenses of \$49 thousand. Operating expenses decreased by \$319 thousand, mainly due to decreases in management and general expenses of \$320 thousand.

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**Management's Discussion and Analysis**

**Years Ended September 30, 2014 and 2013**

**Grant Revenues**

*Grant Revenues:* Table 3 summarizes grant revenues received through allotments from the Government of the Virgin Islands, grants from the Corporation for Public Broadcasting, and other grant revenue.

*Table 3: Summary of Grant Revenues*

	<u>September 2014</u>	<u>September 2013</u>	<u>September 2012</u>
Grant revenues - Government of the Virgin Islands	\$ 4,067,355	\$ 3,718,668	\$ 3,920,937
Grant revenues - Corporation for Public Broadcasting	1,034,096	1,242,167	1,093,672
Grant revenues - Other	153,173	187,574	7,635
Total grant revenues	<u>\$ 5,254,624</u>	<u>\$ 5,148,409</u>	<u>\$ 5,022,244</u>
Other operating revenues	511,712	289,866	658,212
Total operating revenues	<u>\$ 5,766,336</u>	<u>\$ 5,438,275</u>	<u>\$ 5,680,456</u>
Grants as a percentage of operating revenue	<u>91.1%</u>	<u>94.7%</u>	<u>88.4%</u>

**Capital Assets**

The System's capital assets include land, buildings, building improvements and equipment. Capital asset additions during the fiscal years ending September 30, 2014 and 2013 amounted to \$185 thousand and \$1.6 million.

*Summary of Capital Assets*--Table 4 summarizes the System's capital asset holdings as of September 30, 2014 and 2013:

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**Management's Discussion and Analysis**

**Years Ended September 30, 2014 and 2013**

*Table 4: Summary of Capital Assets*

	<u>September 2014</u>	<u>September 2013</u>
Land	\$ 1,258,806	\$ 1,258,806
Production and broadcasting equipment	7,716,088	7,657,065
Buildings and improvements	6,082,931	6,078,431
Other	188,335	154,616
Total capital assets	<u>\$ 15,246,160</u>	<u>\$ 15,148,918</u>
Accumulated depreciation	<u>9,638,170</u>	<u>8,792,821</u>
Total accumulated depreciation	<u>\$ 9,638,170</u>	<u>\$ 8,792,821</u>
Net capital assets	<u>\$ 5,607,990</u>	<u>\$ 6,356,097</u>

Note 4 provides detailed information regarding the capital assets of the System as of September 30, 2014 and 2013.

**Budgetary Analysis**

The System prepares an annual executive budget subject to approval by the Governor and the Legislature of the Virgin Islands. Following is a summary of the budget and actual results for the fiscal year ending September 30, 2014:

*Table 5: Budget and Actual Report of Operating Income*

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Governmental & CPB support	\$ 5,182,314	5,160,356	\$ 5,101,451	\$ (58,905)
Total operating expenses	(5,182,314)	(5,160,356)	(5,023,745)	136,611
Non-budgeted revenues	-	-	668,240	668,240
Non-budgeted expenditures	-	-	(845,348)	(845,348)
Operating income (loss)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (99,402)</u>	<u>\$ (99,402)</u>

The decrease in Governmental & CPB support is mainly due a decrease in the CPB funding of \$57 thousand. Non-budgeted revenues consists of additional grants received amounting to \$153 thousand, underwriting revenue of \$140 thousand, tower space rental revenue of \$98 thousand, and other revenue of \$234 thousand. The decrease in operating expenses of \$137 thousand is mainly due to a decreases in maintenance expenses of \$121 thousand, in PBS dues of \$61 thousand, and in salaries and related

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**Management's Discussion and Analysis**

**Years Ended September 30, 2014 and 2013**

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expenses of \$110 thousand, offset by an increase in local production of \$112 thousand and legal fees of \$89 thousand.

**Significant Currently-Known Facts**

The ability of the System to continue providing public television services is dependent on grant allotments received from the Government of the Virgin Islands and the Corporation for Public Broadcasting.

**Contacting the Corporation**

This financial report is designed to provide a general overview of the System's finances. If you have any questions about this report, or need additional information, contact the System at: Virgin Islands Public Television System - WTJX, P. O. Box 7879, Charlotte Amalie, St. Thomas, U.S. Virgin Islands 00801.

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**Statements of Net Position**

	<b>September 30,</b>	
	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 904,925	\$ 988,393
Accounts receivable	63,396	51,113
Due from the Government of the Virgin Islands	132,377	-
Prepaid expenditures	678,625	618,710
Restricted cash	43,366	597,044
Total current assets	1,822,689	2,255,260
Noncurrent assets:		
Capital assets, net of accumulated depreciation	5,607,990	6,356,097
Total noncurrent assets:	5,607,990	6,356,097
Total assets	7,430,679	8,611,357
 <b>Liabilities and net position</b>		
Current liabilities:		
Accounts payable	52,031	281,756
Accrued liabilities	82,782	173,867
Accrued programming dues	-	765,025
Compensated absences - due within one year	302,396	297,837
Total liabilities:	437,209	1,518,485
Net position:		
Invested in capital assets	5,607,990	6,356,097
Restricted	43,366	597,044
Unrestricted	1,342,114	139,731
Total net position	\$ 6,993,470	\$ 7,092,872

*See accompanying notes.*

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**Statements of Revenues, Expenses and Changes in Net Position**

	<b>Years Ending September 30,</b>	
	<b>2014</b>	<b>2013</b>
<b>Operating revenues:</b>		
Grants - Government of the Virgin Islands	\$ 4,067,355	\$ 3,718,668
Grants - Corporation Public Broadcasting	1,034,096	1,242,167
Grants - Other	153,173	187,574
Underwriting	140,210	105,157
Fundraising	24,281	73,528
Tower space rental	97,779	76,282
Advertising	5,047	3,400
Member subscriptions and other donations	9,814	14,141
Other operating revenue	234,581	17,358
Total operating revenues	5,766,336	5,438,275
<b>Operating expenses:</b>		
Program services	4,167,927	4,375,817
Management and general	1,697,608	1,911,302
Fundraising expenses	3,558	11,502
Total operating expenses	5,869,093	6,298,621
Operating income (loss)	(102,757)	(860,346)
<b>Non-operating revenue:</b>		
Interest income	3,355	3,639
Total non-operating revenue:	3,355	3,639
Change in net position	(99,402)	(856,707)
Net position at beginning of year	7,092,872	7,745,392
Prior period adjustment		204,187
Net position at end of year	\$ 6,993,470	\$ 7,092,872

*See accompanying notes.*

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**Statements of Cash Flows**

	<b>Years Ending September 30,</b>	
	<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities</b>		
Receipts from grants, customers and others	\$ 5,621,676	\$ 6,225,807
Payments to suppliers and employees, net of capitalized expenses	(6,164,936)	(4,036,624)
Net cash provided by (used in) operating activities	(543,260)	2,189,183
<b>Cash flows from investing activities</b>		
Purchase of capital assets	(185,011)	(1,649,732)
Disposal of capital assets	87,770	-
Interest income	3,355	3,639
Net cash (used in) investing activities	(93,886)	(1,646,093)
Net change in cash and cash equivalents	(637,146)	543,090
Cash and cash equivalents at beginning of year	1,585,437	1,042,347
Cash and cash equivalents at end of year	\$ 948,291	\$ 1,585,437
<b>Cash and cash equivalents include:</b>		
Unrestricted cash and cash equivalents	\$ 904,925	\$ 988,393
Restricted cash and cash equivalents	43,366	597,044
	\$ 948,291	\$ 1,585,437
<b>Reconciliation of operating loss to net cash provided by operating activities</b>		
Operating loss	\$ (102,757)	\$ (860,346)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	845,349	942,132
Prior period adjustment	-	204,187
Change in assets and liabilities:		
Accounts receivable	(12,283)	787,532
Due from the Government of the Virgin Islands	(132,378)	-
Prepaid expenses	(59,915)	(17,608)
Accounts payable	(229,725)	262,534
Accrued liabilities	(91,085)	81,349
Accrued programming dues	(765,025)	765,025
Accrued compensated absences	4,559	24,378
Total adjustments	(440,503)	3,049,529
Net cash provided by (used in) operating activities	\$ (543,260)	\$ 2,189,183

*See accompanying notes.*

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**Notes to the Financial Statements**

**September 30, 2014 and 2013**

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**1. Reporting Entity and Summary of Significant Accounting Policies**

**Reporting Entity**

The Virgin Islands Public Television System (the System) was created by Act No. 2364 on November 15, 1968, to provide educational television services in the United States Virgin Islands, and to advance the general welfare, cultural development, and awareness of public affairs of the general population. The System was formed as a public corporation, and is an autonomous component unit of the Government of the Virgin Islands. The System's Board of Directors consists of the Commissioner of the Department of Education, the Chairman of the Board of Education, the President of the University of the Virgin Islands, the Director of the Office of Management and Budget, three members appointed by the President of the Legislature, and four other members appointed by the Governor. The call letters of the System are WTJX, and it is a member of the Public Broadcasting System (PBS), a media foundation that provides grants and services to public and non-commercial television stations.

**Summary of Significant Accounting Policies**

The System prepares its financial statements in conformity with U.S. generally accepted accounting principles for governmental enterprise funds as prescribed by the Government Accounting Standards Board (GASB). In accordance with GASB Statement Number 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the System does not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

The financial statements of the System have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

***Basic Financial Statements***

Standards for external financial reporting require that resources be classified for accounting and reporting purposes into net position categories and to report the change in net position. Net position is the residual of all other elements presented in the Statement of Net Position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources and consists of the following categories:

*Net investment in capital assets:* This category of net position consists of capital assets, net of accumulated depreciation, reduced by any outstanding balances of mortgages or notes attributable to the acquisition, construction or improvement of those assets.

*Restricted component of net position:* This category consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

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**Notes to the Financial Statements**

**September 30, 2014 and 2013**

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**1. Summary of Significant Accounting Policies (continued)**

***Basic Financial Statements (continued)***

*Unrestricted component of net position:* This category consists of the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets, or the restricted component of net position.

The System distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from services provided in connection with the System's community and education based television system. The principal operating revenues of the System are grants from the Government of the Virgin Islands, grants from the Corporation for Public Broadcasting (CPB), underwriting, fundraising, tower space rental and advertising. Operating expenses include program services, management and general expenses, and fundraising expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

***Cash and Cash Equivalents***

All deposits of the System are made in board-designated official depositories. The System may designate, as an official depository, any bank or savings association whose principal office is located in the United States Virgin Islands. Also, the System may establish time deposit accounts such as certificates of deposits.

The System's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The System receives periodic cash allotments from the CPB, which are held in a separate bank account and are reported as restricted cash and cash equivalents.

Under Virgin Islands law, government public funds are required to be deposited into accounts that are collateralized by security bond collateral that is satisfactory to the Commissioner of Finance. As of September 30, 2014 and 2013, cash and cash equivalents held at banks were fully collateralized.

***Accounts Receivable***

All trade and grant receivables are reported as assets of the System. The System does not have a policy to determine uncollectible receivables.

***Prepaid Expenses***

Certain cash outlays to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the statement of net position and are expensed as the items are used or the expense is realized.

**Virgin Islands Public Television System**  
(A Component Unit of the Government of the United States Virgin Islands)

**Notes to the Financial Statements**

**September 30, 2014 and 2013**

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**1. Summary of Significant Accounting Policies (continued)**

***Capital Assets***

Capital assets, which include property, plant, and equipment assets, are reported in the financial statements at the time of acquisition or donation. Acquired capital assets are reported at cost at the date of purchase or construction, and donated assets are reported at appraised fair value at the date of donation. Only assets with an initial, individual cost, or fair market value, of more than \$1,500 are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets, or materially extend the life of assets are not capitalized. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment are depreciated using the straight-line method by groups or classes of property over the following expected service lives:

	<u>Years</u>
Production & Broadcasting Equipment	5 – 7
Buildings & Improvements	5 - 40
Other	5 – 15

When assets are retired, the cost and related accumulated depreciation of the property is removed from the accounts and any gain or loss is recognized as non-operating revenue or expense.

Accounting standards require management to disclose and report the impairment of capital assets, and any related insurance recoveries. The organization periodically evaluates whether there has been an impairment of capital assets. As of September 30, 2014 and 2013, management advises that there has not been an impairment of capital assets, requiring an adjustment to capital asset balances.

***Compensated Absences***

Employees are eligible under personnel policies established by the Government of the Virgin Islands to accrue annual leave (up to 480 hours) if not used during the fiscal year. Unpaid annual leave is accrued as a liability of the System, as well as the System's share of related social security taxes and retirement system contributions, if the compensated absence is attributable to past service and it is probable that the System will compensate the employee for the benefits. The amount of compensated absences is computed using salary rates in effect at September 30<sup>th</sup>. As of September 30, 2014 and 2013, the System reported accrued compensated absences amounting to \$302,396 and \$297,837, respectively.

***Retirement Plan***

The System's full-time employees participate in the Employees' Retirement System of the Government of the Virgin Islands (GERS), a cost-sharing, multiple-employer defined benefit retirement system, established by the Government of the Virgin Islands to provide retirement, death and disability benefits to its members. Employees begin contributions after thirty (30) days of service.

**Virgin Islands Public Television System**  
**(A Component Unit of the Government of the United States Virgin Islands)**

**Notes to the Financial Statements**

**September 30, 2014 and 2013**

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**1. Summary of Significant Accounting Policies (continued)**

***Retirement Plan (continued)***

Contribution rates to the retirement plan are fixed by Virgin Islands law, and are required to be made by the System at a rate of 17.5% of employees' annual salaries, excluding overtime, and by its employees at a rate of 8% (Tier I) and 8.5% (Tier II) of annual salaries, and excluding overtime. The System's contribution to the retirement plan was \$321,688 and \$326,578 for the fiscal years ending September 30, 2014 and 2013.

The financial report of GERS can be obtained from: Employees' Retirement System of the Government of the Virgin Islands, 3438 Kronprindsens Gade, St. Thomas, Virgin Islands 00802.

***Other Post-Employment Benefits (OPEB)***

All employees who are eligible for service retirement with GERS are eligible for certain other post-employment benefits (OPEB) including retiree health care, dental and life insurance benefits. These benefits are provided in accordance with Virgin Islands law as part of a cost-sharing, multiple employer defined benefit OPEB plan, in which all component units of the primary Government participate and contribute. All employees of the System who retire from government service after attaining age 55 with at least 30 years of service are eligible for benefits. Participants in the plan may elect coverage for their spouses and dependent children. Participants are required to contribute 35% of medical, prescription and dental premiums. The plan is a non-funded pay-as-you-go plan, and expenditures are paid by the Government of the Virgin Islands as they become due.

***Operating Revenues and Expenses***

Operating revenues and expenses generally result from providing services in connection with the System's principal ongoing operations, mainly the production of educational and cultural programs. The System also recognizes grants received as operating revenue. Operating expenses for the System include cost of services, administrative expenses, and depreciation on capital assets.

***Donated Goods and Services***

The System's success in conducting its mission is dependent on attracting committed Virgin Islands residents to serve as volunteers to the System's program services and fund raising campaigns. The System does not maintain supporting documentation of donated services and goods, and the amounts are not included in the System's financial statements.

***Use of Estimates in the Preparation of Financial Statements***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, deferred inflows, liabilities, deferred outflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Virgin Islands Public Television System**  
(A Component Unit of the Government of the United States Virgin Islands)

**Notes to the Financial Statements**

**September 30, 2014 and 2013**

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**1. Summary of Significant Accounting Policies (continued)**

*Income Taxes*

The System is an autonomous component unit of the Government of the Virgin Islands that is exempt from federal income tax, Virgin Islands income tax, and property taxes.

*Future Adoption of Accounting Standards*

The Government Accounting Standards Board has issued the following statements that the System has not yet adopted:

<u>Statement Number</u>		<u>Required in Fiscal Year</u>
68	Accounting and Financial Reporting for Pensions	2015
69	Government Combinations and Disposals of Government of Government Operations	2015
71	Pension Transition for Contributions Made Subsequent to the Measurement Date	2015

The impact of these statements has not yet been determined by the System.

**2. Cash and Cash Equivalents**

The System maintains unrestricted cash and cash equivalents including: (i) allotments from the Government of the Virgin Islands, (ii) Special Productions including underwriting, donations, DVD sales and other fundraising activities, (iii) Emergency Maintenance funded from rental income of an up-link television broadcasting tower located in St. Thomas, and (iv) a petty cash account.

**Virgin Islands Public Television System**  
**(A Component Unit of the Government of the United States Virgin Islands)**

**Notes to the Financial Statements**

**September 30, 2014 and 2013**

**2. Cash and Cash Equivalents (continued)**

Restricted cash and cash equivalents consist of CPB funding restricted for the use of CPB television productions broadcasted in the Virgin Islands.

As of September 30, 2014 and 2013, cash and cash equivalents consisted of the following deposits in banks, and certificate of deposit:

	<b>September 30</b>	
	<b>2014</b>	<b>2013</b>
Restricted:		
Corporation for Public Broadcasting	\$ 43,366	\$ 597,044
Restricted cash and cash equivalents	\$ 43,366	\$ 597,044
Unrestricted:		
Government of the Virgin Islands	260,503	466,996
Special Productions	62,209	29,816
Emergency Maintenance	159,755	72,048
Petty Cash	570	1,000
Certificate of Deposit	421,888	418,533
Unrestricted cash and cash equivalents	\$ 904,925	\$ 988,393
Total Cash & Cash Equivalents	\$ 948,291	\$ 1,585,437

*Concentration of credit risk:* The System utilizes one financial institution located in the United States Virgin Islands.

*Credit risk:* Depository balances are fully collateralized with collateral satisfactory to the Commissioner of Finance.

**Virgin Islands Public Television System**  
(A Component Unit of the Government of the United States Virgin Islands)

**Notes to the Financial Statements**

**September 30, 2014 and 2013**

**3. Accounts and Other Receivables**

Accounts and other receivables at September 30, 2014, and 2013 consisted of the following:

	<b>September 30</b>	
	<b>2014</b>	<b>2013</b>
Underwriting	\$ 38,412	\$ 24,163
Grants	-	23,000
Rent	15,500	2,740
Other	9,484	1,210
<b>Total receivables</b>	<b>\$ 63,396</b>	<b>\$ 51,113</b>

As of September 30, 2014 the System had an outstanding receivable due from the Government of the Virgin Islands, a related party. This receivable, in the amount of, \$132,377, is the September 2014 legislative allotment for operating expenses.

**4. Capital Assets**

Capital assets at September 30, 2014 are comprised of the following:

	Balance at September 30, 2013	Increases	Decreases	Balance at September 30, 2014
<b>Non-Depreciable Assets:</b>				
Land	\$ 1,258,806	\$ -	\$ -	\$ 1,258,806
Total non-depreciable assets	1,258,806	-	-	1,258,806
<b>Depreciable Assets:</b>				
Production & Broadcasting Equipment	7,657,065	145,427	(86,404)	7,716,088
Buildings & Improvements	6,078,431	4,500	-	6,082,931
Other	154,616	35,084	(1,366)	188,334
Total depreciable assets	13,890,112	185,011	(87,770)	13,987,353
<b>Less: Accumulated Depreciation</b>				
Accumulated depreciation	8,792,821	845,348	-	9,638,169
Total depreciable assets, net	5,097,291	(660,337)	(87,770)	4,349,184
<b>Total Capital Assets, Net</b>	<b>\$ 6,356,097</b>	<b>\$ (660,337)</b>	<b>\$ (87,770)</b>	<b>\$ 5,607,990</b>

Depreciation expense for the years ending September 30, 2014 and 2013 amounted to \$845,349 and \$942,132, respectively.

**Virgin Islands Public Television System**  
**(A Component Unit of the Government of the United States Virgin Islands)**

**Notes to the Financial Statements**

**September 30, 2014 and 2013**

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**5. Programming Dues**

The System is a member station of the Public Broadcasting System (“PBS”). PBS offers programming designed to expand the minds of children, documentaries, non-commercial news programs, and programs designed to expose American listeners to music, theatre, dance and art. Dues for the member year of July 1, 2014 through June 30, 2015 amounted to \$771,331, with \$771,331 paid as of September 30, 2014. Programming expense for the fiscal year ending September 30, 2014 and 2013 amounted to \$1,016,235 and \$1,036,829.

**6. Grant Revenue**

The System receives two main sources of grant revenue: (i) appropriations from the Government of the Virgin Islands to pay salaries and related expenses and operating expenditures, and (ii) grants from the Corporation for Public Broadcasting (CPB) to provide funding for the System’s member dues to the Public Broadcasting System, salaries and related benefits and operating expenses. For the fiscal years ending September 30, 2014 and 2013, the System received the following grant revenue from these organizations:

	<b>September 30</b>	
	<b>2014</b>	<b>2013</b>
	<u>                    </u>	<u>                    </u>
Government of the Virgin Islands	\$ 4,067,355	\$ 3,718,668
Corporation for Public Broadcasting	1,034,096	1,242,167
Other	153,173	187,574
	<u>                    </u>	<u>                    </u>
Total grant revenues	<u>\$ 5,254,624</u>	<u>\$ 5,148,409</u>

During the years ended September 30, 2014 and 2013, the Government of the Virgin Islands supported \$2,501,211 and \$2,262,022 in salary and related costs through its appropriations to the System.

**7. Prior Period Adjustment**

For the fiscal year ending September 30, 2013, the System reported a prior year adjustment in the amount of \$204,187. This represents the net of amounts due from the Government of the Virgin Islands of \$623,808 which was determined to not be supported; capital assets amounting to \$736,439 which were also unsupported by underlying records, and accrued liabilities in the amount of \$91,556 identified as relating to a prior fiscal year.

**Virgin Islands Public Television System**  
**(A Component Unit of the Government of the United States Virgin Islands)**

**Notes to the Financial Statements**

**September 30, 2014 and 2013**

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**8. Commitments and Contingencies**

The System derives most of its operating revenue from grants provided by the local Government and the Corporation for Public Broadcasting. The continuing operation of the System is dependent on a continuation of grants for sustainable operations.

During the year ended September 30, 2014, the System entered into trade agreements with Prior Family Foundation and The Daily News to provide underwriting services in exchange for advertising. The amount of the agreements were \$4,800 and has been reported as underwriting revenue and advertising expense in the System's financial statements.

The Government of the Virgin Islands Division of Property and Procurement provides casualty insurance on System assets under a blanket insurance policy covering both the primary Government and certain autonomous agencies.

**9. Subsequent Events**

The System settled a union dispute with one of its employees and made a payment of wages in the amount \$40 thousand. The check to the former employee was written on July 10, 2014 and has been held by the employee's union. As of the date of this report the check had not been cashed.

The System has performed a review of subsequent events through January 12, 2015, and concluded there were no additional events or transactions that occurred during this period that required recognition or disclosure in the financial statements.

Virgin Islands Public Television System  
(A Component Unit of the Government of the United States Virgin Islands)

**Supplementary Information**

Years Ended September 30, 2014 and 2013

**Virgin Islands Public Television System**  
**(A Component Unit of the Government of the United States Virgin Islands)**

**Statements of Functional Expenses**

	<b>Years Ending September 30,</b>	
	<b>2014</b>	<b>2013</b>
<b>Program Services</b>		
Depreciation	\$ 591,744	\$ 659,492
Employee benefits	235,299	191,992
Programming	1,016,235	1,036,829
Repairs and maintenance	5,763	91,065
Retirement contributions	287,208	287,981
Salaries	1,753,814	1,821,410
Travel	39,559	71,483
Utilities	238,305	215,565
Total program services	<u>4,167,927</u>	<u>4,375,817</u>
<b>Management and General</b>		
Advertising	61,967	93,290
Automobile	57,898	45,227
Computer supplies	9,519	47,789
Depreciation	253,605	282,640
Employee benefits	40,791	50,181
Equipment rental and maintenance	12,681	17,361
Insurance	79,194	76,638
Meetings and conferences	59,195	100,435
Miscellaneous	18,236	11,733
Office expense	33,858	46,796
Payroll taxes	178,503	186,961
Postage and freight	34,090	42,653
Printing and publications	47,027	25,014
Professional fees	163,009	180,180
Repairs and maintenance	7,270	114,871
Retirement contributions	34,480	38,597
Salaries	355,651	308,465
Security	9,842	17,199
Subscriptions and memberships	20,056	41,795
Telephone and internet service	103,362	77,303
Utilities	117,374	106,174
Total management and general expenses	<u>1,697,608</u>	<u>1,911,302</u>
<b>Fundraising</b>		
Fundraising expense	<u>3,558</u>	<u>11,502</u>
Total fundraising expense	<u>3,558</u>	<u>11,502</u>
Total expenses	<u>\$ 5,869,093</u>	<u>\$ 6,298,621</u>

*See accompanying notes.*

Virgin Islands Public Television System  
(A Component Unit of the Government of the United States Virgin Islands)

**Independent Auditors' Report**  
**On Internal Control Over Financial Reporting and on Compliance and**  
**Other Matters Based on an Audit of Financial Statements Performed in**  
**Accordance with *Government Auditing Standards***

Years Ended September 30, 2014 and 2013



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**Independent Auditors' Report**  
**On Internal Control Over Financial Reporting and on Compliance and**  
**Other Matters Based on an Audit of Financial Statements Performed in**  
**Accordance with *Government Auditing Standards***

To the Board of Directors  
Virgin Islands Public Television System

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Virgin Islands Public Television System (the System) as of and for the years ended September 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued a qualified report thereon dated January 12, 2015. The report was qualified as the System does not maintain adequate documentation supporting capital assets and certain other operating revenues reported in the financial statements.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the System's internal controls over financial reporting to determine the audit procedures that are appropriate in the circumstances 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 System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying Schedule of Findings and Responses to be material weaknesses: Findings 2014-1 and 2014-2.

To the Board of Directors  
Virgin Islands Public Television System  
*Continued*

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying Schedule of Findings and Responses to be significant deficiencies: Finding 2014-3 through Finding 2014-8.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

### **Compliance and Other Matters**

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

### **Virgin Islands Public Television System's Responses to Findings**

The System's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The System's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

To the Board of Directors  
Virgin Islands Public Television System  
*Continued*

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Benham, Hodge & Upson, PC  
St. Thomas, U.S. Virgin Islands

January 12, 2015

## Virgin Islands Public Television System

### Schedule of Findings and Responses

As of and for the Fiscal Years Ended September 30, 2014 and 2013

#### Internal Control Over Financial Reporting – Material Weakness

**Finding 2014-1:** The System has reported capital assets consisting of land, buildings, production and broadcasting equipment, vehicles and other assets amounting to \$5,607,990 for the fiscal year ended September 30, 2014, and \$6,356,097 for the fiscal year ended September 30, 2013, net of depreciation. Management was unable to provide detailed supporting records for the reported capital assets and was unable to reconcile vehicles and buildings reported on the financial statements to current year insurance policies for either fiscal year. Certain capital assets are insured by the Government of the Virgin Islands umbrella policy, but management was unable to provide documentation of the specific assets subject to that coverage. Because of inadequate supporting documentation, we were unable to provide an opinion on the amounts reported, and the System has received a qualified audit opinion for this exception. We recommend that the System take the steps necessary to ascertain the existence and valuation of all capital assets, and perform annual inventories of assets. Ownership of assets should be documented through deeds, vehicle registrations and tagged inventory records. Insurance coverage should be verified and compared to the annual asset listings.

**Management Response 2014-1:** Management concurs with this finding. We have solicited Property and Procurement (P&P) to include WTJX's assets with the GVI asset for inventory and insurance purpose. As a result, P&P conducted a full inventory on all three of WTJX locations and provided tagged inventory records. We will use that information to reconcile with our system records.

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**Finding 2014-2:** During the fiscal year ended September 30, 2014, the reconciliation of bank accounts resulted in unidentified reconciling items. On February 28, 2014, the System proposed an adjustment amounting to \$108,998 (GJ-000171) to reconcile the General Ledger to the underlying bank reconciliation. The System does not have supporting documentation to describe the source of this increase to the General Ledger operating bank account balance. This amount has been included for financial reporting purposes as other operating revenue. All receipts of revenue to the organization should be properly recorded, and bank reconciliation adjustments should be researched to determine the appropriate adjustments to the General Ledger.

## Virgin Islands Public Television System

### Schedule of Findings and Responses

As of and for the Fiscal Years Ended September 30, 2014 and 2013

#### Internal Control Over Financial Reporting – Material Weakness (continued)

**Management Response 2014-2:** Management concurs with this finding. As a result of last year's audit we recognized that there was a timing difference issue with the MAS90 system. As a result, the MAS90 Consultant stated that a difference in one module may have an effect on another. This issue went back from FY2013 and the sum is as a result of the corrective entries from the prior period 2013 and 2014. The error should not occur again due to the fix that was implemented. Since the occurrence was identified we have not experienced that issue.

#### Internal Control Over Financial Reporting – Significant Deficiencies

**Finding 2014-3:** During our tests of revenues and expenditures, we noted instances of expenditures miscoded such as payments to caterers coded to “professional fees” instead of “fundraising expense”, payments to attorneys coded to “professional fees” instead of “legal expense” and various expenses coded to “repairs & maintenance” instead of “vehicle expense” and “generator expense”. We recommend the System provide supervisory review of account coding to ensure proper coding of revenues and expenditures.

**Management Response 2014-3:** Management concurs with this finding, however, it's a work in progress, and those occurrences are minimal and will diminish.

---

**Finding 2014-4:** The System has entered into certain lease agreements for tower space. We noted that certain tower rental lessees did not have current contract agreements. While the terms for contract agreements called for certain increases over time, we noted that rental payments received did not include those increases. Also, there were no cut-off procedures to determine rental income accruals at year-end. We recommend that the System enter into written contract agreements for all tower rental arrangements, review the terms and amounts of lease payments, and ensure there are proper accruals of rental income at year-end.

**Management Response 2014-4:** Management concurs with this finding and is working towards updating tower leases. This is also a work in progress.

## Virgin Islands Public Television System

### Schedule of Findings and Responses

As of and for the Fiscal Years Ended September 30, 2014 and 2013

#### Internal Control Over Financial Reporting – Significant Deficiencies (continued)

***Finding 2014-5:*** The System prepares its accounting records on the accrual basis of accounting. In our testing of payroll expenditures, we noted that there was no accrual of the System's CPB employees for year-end salary and salary related expenses. Because the System payroll is paid on a delayed two week cycle, an accrual was proposed for the salary expense for the period September 7, 2014 through September 30, 2014. We recommend that year-end accruals be made for salary, and salary related expenses.

***Management Response 2014-5:*** Management concurs with this finding; we processed the accruals for Department of Finance payroll and will include the CPB accruals going forward.

---

***Finding 2014-6:*** The financial statements of the System are prepared using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. In our testing procedures, we noted that expenditures for PBS programming dues were reported when paid and the accrual for the previous year's expenditures were not reversed. We recommend that the System maintain supporting schedules and report prepaid assets and accrued liabilities to appropriately allocate expenditures to the periods they relate to.

***Management Response 2014-6:*** Management concurs with this finding; we have begun expensing the dues every month.

---

***Finding 2014-7:*** The System invoices customers for advertising, underwriting, and tower space lease payments. Although the System maintains a subsidiary ledger for accounts receivable, this ledger did not include all open invoices. The subsidiary ledger is not subject to periodic review to follow-up on collection efforts, or to apply late payments or interest on outstanding balances. Management had not performed an assessment of uncollectable accounts as of the end of the fiscal year.

## Virgin Islands Public Television System

### Schedule of Findings and Responses

As of and for the Fiscal Years Ended September 30, 2014 and 2013

#### Internal Control Over Financial Reporting – Significant Deficiencies (continued)

*Management Response 2014-7:* Management concurs with this finding, however, the absence of a development director contributes to this issue and again because we are recording based on donations and not for services rendered it is a bit difficult to apply interest on outstanding balances. This is also a work in progress.

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*Finding 2014-8:* In our tests of cash and cash equivalents, we noted the following weaknesses in internal controls of bank reconciliation procedures: (i) the petty cash account (which maintains an ongoing balance of \$1,000), needs more control over security of funds, (ii) ACH transactions are not being dated correctly on the general ledger, causing adjustments to reconcile the general ledger to bank reconciliation report, (iii) the outstanding check list is incorrect as there are checks voided on the outstanding list, and (iv) personnel involved in reconciling accounts may benefit from training in reconciliation procedures.

*Management Response 2014-8:* Management concurs with this finding we have been working to improve the handling of petty cash, and reconciliations in addition to providing training to staff. This is also a work in progress.