



MEMORANDUM

DATE: March 17, 2022

TO: Audit Committee of the School Board of the City of Virginia Beach

FROM: Terrie L. Pyeatt, CPA *TP*
Director, Office of Internal Audit

**SUBJECT: Change in Bookkeeper School Activity Funds Audit
Kempsville Middle School**

We have audited the accompanying statement of cash receipts and disbursements of the school activity funds for Kempsville Middle School for the six-month period from July 1, 2021 to December 31, 2021. This financial statement is the responsibility of 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. We are required to be independent of Kempsville Middle School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. An audit includes examining, on a test basis, evidence supporting the amounts 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Government Auditing Standards also require that we consider internal controls over financial reporting and compliance with requirements of laws, regulations, contracts, and grants. Management is responsible for establishing and maintaining effective internal controls. In planning and performing our audit, we considered internal control over compliance with requirements that could have a direct and material effect on the financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement. Accordingly, we do not express an opinion on the effectiveness of internal control over financial reporting.

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 control over financial reporting and its operation that we consider to be material weaknesses.

Emphasis of Matter – Basis of Accounting

As described in Note 1, Kempsville Middle School prepares the school activity funds financial statement on the cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this manner. The principal is responsible for the financial records, maintained on a cash basis, which reflect the receipt and disbursement transactions of the school activity funds.

In our opinion, the financial statement included in this report presents fairly, in all material respects, the school activity funds cash balance for Kempsville Middle School as of December 31, 2021, and the recorded cash transactions for the six-month period then ended using the cash basis of accounting as described in Note 1, which is a basis of accounting other than U.S. generally accepted accounting principles.

cc: Dr. Tamara D. Cornick, Principal
Dr. James J. Smith, Senior Executive Director of Middle Schools
Dr. Eugene F. Soltner, Chief Schools Officer

Mr. Daniel G. Hopkins, Director, Office of Business Services
Ms. Crystal M. Pate, Chief Financial Officer

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
For the Six-Month Period Ended December 31, 2021

Account Group	Balance 7/1/2021	Cash Receipts	Cash Disbursements	Net Transfers	Balance 12/31/2021
Administrative Accounts	\$ 9,084	7,289	934	(192)	15,247
Virginia High School League Accounts	1,059	35	-	-	1,094
Club and Student Activity Accounts	4,595	766	534	192	5,019
Athletic Accounts	287	1,830	1,718	-	399
Departmental Accounts	10,870	8,842	5,956	-	13,756
VBCPS Accounts	824	3,157	440	-	3,541
Class/Scholarship/Grant Accounts	-	15,285	3,928	-	11,357
Clearing Accounts	-	547	547	-	-
Total	\$ 26,719	37,751	14,057	-	50,413
Bank Interest	\$ 39	2	-	-	41
Pictures	3,845	2,997	-	-	6,842
Staff Welfare	1,464	1,335	934	-	1,865
Office	8	-	-	-	8
Donations	821	1,111	-	(192)	1,740
Office Depot Rebate	-	846	-	-	846
Staff Recognition	53	-	-	-	53
School-Wide Fundraisers	-	654	-	-	654
School Anniversaries	2,208	-	-	-	2,208
Procurement Card Rebate	646	344	-	-	990
Administrative Accounts	9,084	7,289	934	(192)	15,247
Yearbook	1,059	35	-	-	1,094
Virginia High School League Accounts	1,059	35	-	-	1,094
Student Activities	1,385	206	280	-	1,311
SCA	2,335	560	-	-	2,895
Student Recognition	-	-	192	192	-
Drama Club	60	-	-	-	60
Gentlemens Club	453	-	-	-	453
Ladies Club	39	-	-	-	39
National Junior Honor Society	273	-	62	-	211
Warm Up America Club	50	-	-	-	50
Club and Student Activity Accounts	4,595	766	534	192	5,019
Baseball	(398)	-	-	-	(398)
Field Hockey	78	-	-	-	78
Gate Receipts	-	1,718	1,718	-	-
Cheerleaders	377	-	-	-	377
Athletic Department	230	112	-	-	342
Athletic Accounts	287	1,830	1,718	-	399
Instructional Materials	1,485	7	-	-	1,492
Library	132	174	206	-	100
Math	96	-	-	-	96
Physical Education	753	6,950	4,885	-	2,818
Special Education	36	-	-	-	36
Band	612	-	-	-	612
Chorus	3,727	-	-	-	3,727
Orchestra	2,371	125	125	-	2,371
Teen Living	321	1,130	284	-	1,167
Technical Education	849	456	456	-	849
AVID	160	-	-	-	160
Field Trips	328	-	-	-	328
Departmental Accounts	10,870	8,842	5,956	-	13,756

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS, CONTINUED
For the Six-Month Period Ended December 31, 2021

Account Group	Balance 7/1/2021	Cash Receipts	Cash Disbursements	Net Transfers	Balance 12/31/2021
Lost/Damaged Calculators/Heart Monitors	\$ 308	-	-	-	308
Technology	259	3,157	440	-	2,976
Textbooks - Lost	257	-	-	-	257
VBCPS Accounts	824	3,157	440	-	3,541
VB Education Foundation Grants	-	15,285	3,928	-	11,357
Class/Scholarship/Grant Accounts	-	15,285	3,928	-	11,357
Change	-	500	500	-	-
Clearing	-	47	47	-	-
Clearing Accounts	-	547	547	-	-
Total	\$ 26,719	37,751	14,057	-	50,413

NOTE TO THE FINANCIAL STATEMENT

NOTE 1 – Reporting Entity

Nature of Activities

The Commonwealth of Virginia requires that school activity funds be audited at least once a year by a duly qualified accountant or accounting firm approved by the local school board. School Board Policy 3-46 Audits requires that a special audit of individual school accounts be conducted whenever there is a change in principal or bookkeeper or at the request of the Audit Committee. School activity funds are comprised of numerous extracurricular school activities, groups, and clubs existing in the schools for the benefit of the students. The principal at each school is responsible for the records that are maintained for each fund.

Significant Accounting Policy

The financial statement has been prepared on the cash receipts and disbursements basis of accounting. Under that basis, the only asset recognized is cash, and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements, and noncash transactions are not recognized. The cash basis differs from accounting principles generally accepted in the United States of America primarily because the effects of outstanding receivables and payables at the date of the financial statement are not included in the financial statement.

Cash

The principal and bookkeeper must establish a bank account in the name of the School Board of the City of Virginia Beach and the school's name using the School Board's Federal Identification Number. This shall be the account for all school activities and all school activity funds. The account should be an interest-bearing checking account. The principal is also authorized to open a savings account or a certificate of deposit in the name of the school. During the audit period, there were no significant violations of those provisions.

The bank balances were collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act"). Under the Act, banks holding public deposits in excess of the amounts insured by the Federal Deposit Insurance Corporation must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks.