



**MEMORANDUM**

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

**FROM:** Karen W. Woodson, CIA <sup>KW</sup>  
School Board Internal Auditor, Department of Internal Audit

**SUBJECT:** **Change in Bookkeeper School Activity Funds Audit  
Hermitage Elementary School**

**DATE:** March 31, 2023

---

We have audited the accompanying statement of cash receipts and disbursements of the school activity funds for Hermitage Elementary School for the eight-month period from July 1, 2022 to February 28, 2023. 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 Hermitage Elementary 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, Hermitage Elementary 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 Hermitage Elementary School as of February 28, 2023, and the recorded cash transactions for the eight-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: Angela K. Munari, Principal  
Danielle E. Colucci, Senior Executive Director of Elementary Schools  
Matthew D. Delaney, Chief Schools Officer

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

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**For the Eight-Month Period Ended February 28, 2023**

Account Group	Balance 7/1/2022	Cash Receipts	Cash Disbursements	Net Transfers	Balance 2/28/2023
Administrative Accounts	\$ 9,220	9,470	2,076	(4,157)	12,457
Club and Student Activity Accounts	345	817	625	63	600
Departmental Accounts	2,327	1,364	5,513	4,094	2,272
VBCPS Accounts	100	188	188	-	100
Class/Scholarship/Grant Accounts	-	5,500	5,426	-	74
Clearing Accounts	-	540	540	-	-
<b>Total</b>	<b>\$ 11,992</b>	<b>17,879</b>	<b>14,368</b>	<b>-</b>	<b>15,503</b>
Bank Interest	\$ -	1	-	-	1
Pictures	2,509	2,323	-	(214)	4,618
Landscaping	100	-	-	-	100
Donations/Contributions	-	300	-	-	300
Office Depot Rebate	2,207	522	-	-	2,729
Staff Recognition	-	-	64	64	-
School-Wide Fundraisers	3,625	-	-	-	3,625
Procurement Card Rebate	-	158	-	-	158
Bottled Drinks Vending	779	-	-	(64)	715
Book Fairs	-	4,861	2,012	(2,849)	-
PTA/PTSA	-	1,305	-	(1,094)	211
<b>Administrative Accounts</b>	<b>9,220</b>	<b>9,470</b>	<b>2,076</b>	<b>(4,157)</b>	<b>12,457</b>
Student Activities	-	-	250	46	(204)
SCA	297	817	76	-	1,038
Student Recognition	-	-	17	17	-
Ecology Club	37	-	70	-	(33)
Robotics Club	11	-	-	-	11
Watchdog Parent Club	-	-	212	-	(212)
<b>Club and Student Activity Accounts</b>	<b>345</b>	<b>817</b>	<b>625</b>	<b>63</b>	<b>600</b>
Instructional Materials	178	-	1,810	333	(1,299)
Library	1,951	104	1,584	2,849	3,320
Music	(33)	-	-	-	(33)
Physical Education	19	-	-	-	19
Field Trips	212	1,260	2,119	912	265
<b>Departmental Accounts</b>	<b>2,327</b>	<b>1,364</b>	<b>5,513</b>	<b>4,094</b>	<b>2,272</b>
Technology	-	188	188	-	-
Textbooks-Lost	100	-	-	-	100
<b>VBCPS Accounts</b>	<b>100</b>	<b>188</b>	<b>188</b>	<b>-</b>	<b>100</b>
VB Education Foundation Grants	-	5,000	5,000	-	-
Outside Organization Grants	-	500	426	-	74
<b>Class/Scholarship/Grant Accounts</b>	<b>-</b>	<b>5,500</b>	<b>5,426</b>	<b>-</b>	<b>74</b>
Change	-	50	50	-	-
United Way	-	490	490	-	-
<b>Clearing Accounts</b>	<b>-</b>	<b>540</b>	<b>540</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>\$ 11,992</b>	<b>17,879</b>	<b>14,368</b>	<b>-</b>	<b>15,503</b>

## 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.