

**ROANOKE CITY PUBLIC SCHOOLS**

**SCHOOL ACTIVITY FUNDS**

**FINANCIAL REPORT**

**June 30, 2016**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Members of the  
City of Roanoke School Board  
Roanoke, Virginia

### **Report on the Financial Statement**

We have audited the accompanying statement of cash receipts and expenditures of the Roanoke City Public Schools School Activity Funds (the "Activity Funds") for the year ended June 30, 2016, and the related note to the financial statement.

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

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the basis of recorded cash receipts and expenditures described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statement, 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 statement 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 statement.

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

***Basis for Qualified Opinion***

As is common in organizations such as this, the Schools Activity Funds' internal accounting control was not adequate to permit the application of adequate auditing procedures to indicate whether all receipts were recorded.

***Qualified Opinion***

In our opinion, except for the possible effects of the matter discussed in the "Basis for Qualified Opinion" paragraph, the financial statement referred to above presents fairly, in all material respects, the cash receipts and expenditures of the Roanoke City Public Schools School Activity Funds for the year ended June 30, 2016 in accordance with the basis of accounting described in Note 1.

***Basis of Accounting***

We draw your attention to Note 1 of the financial statement, which describes the basis of accounting. This financial statement was prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2016, on our consideration of the Roanoke City Public Schools School Activity Funds' 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 Roanoke City Public Schools School Activity Funds' internal control over financial reporting and compliance.

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
October 17, 2016

**ROANOKE CITY PUBLIC SCHOOLS  
SCHOOL ACTIVITY FUNDS**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES  
Year Ended June 30, 2016**

	<u>Balance as of July 1, 2015</u>	<u>Inter-School Transfers</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Balance as of June 30, 2016</u>
<b>High Schools:</b>					
William Fleming High School	\$ 102,527	\$ (3,643)	\$ 262,036	\$ 248,649	\$ 112,271
Patrick Henry High School	256,529	631	234,498	285,574	206,084
<b>Other Schools:</b>					
Gibboney Technical Center	124,826	3,012	131,446	209,137	50,147
Roanoke Valley Governor's School	29,092	-	73,025	87,289	14,828
Noel C. Taylor Learning Academy	1,097	-	706	1,308	495
Forest Park Academy	2,688	-	6,952	7,589	2,051
Adult Education	64,162	-	11,104	13,651	61,615
<b>Middle Schools:</b>					
Lucy Addison Aerospace Middle School	6,559	-	37,928	40,880	3,607
James Breckinridge Middle School	5,033	-	42,799	39,844	7,988
Stonewall Jackson Middle School	437	-	14,984	13,889	1,532
James Madison Middle School	32,560	-	80,208	79,240	33,528
Woodrow Wilson Middle School	41,052	-	51,916	57,627	35,341
<b>Elementary Schools:</b>					
Crystal Spring Elementary School	39,740	-	36,415	39,497	36,658
Fairview Park Elementary School	8,920	-	25,229	26,448	7,701
Fallon Park Elementary School	10,700	-	5,762	5,520	10,942
Fishburn Park Elementary School	21,726	-	21,514	20,719	22,521
Garden City Elementary School	9,432	-	4,367	3,019	10,780
Grandin Court Elementary School	60,144	-	34,951	30,896	64,199
Highland Park Elementary School	16,248	-	36,744	31,568	21,424
Hurt Park Elementary School	6,765	-	6,682	9,722	3,725
Lincoln Terrace Elementary School	2,310	-	8,820	8,249	2,881
Monterey Elementary School	23,238	-	28,241	25,208	26,271
Morningside Elementary School	8,132	-	7,667	9,091	6,708
Preston Park Primary School	22,693	-	22,305	19,610	25,388
Roanoke Academy for Math and Science	29,190	-	9,682	11,515	27,357
Round Hill Primary School	4,104	-	13,438	14,234	3,308
Virginia Heights Elementary School	12,612	-	16,506	18,315	10,803
Wasena Elementary School	17,967	-	6,109	9,629	14,447
Westside Elementary School	16,197	-	24,674	29,650	11,221
	<u>\$ 976,680</u>	<u>\$ -</u>	<u>\$ 1,256,708</u>	<u>\$ 1,397,567</u>	<u>835,821</u>
Fiscal Services					871
Current Year Accounts Payable					<u>104,615</u>
Total Cash Balance at June 30, 2016					<u>\$ 941,307</u>

**ROANOKE CITY PUBLIC SCHOOLS  
SCHOOL ACTIVITY FUNDS**

**NOTE TO FINANCIAL STATEMENT  
June 30, 2016**

**Note 1. Nature of Activities and Significant Accounting Policies**

Reporting entity:

School activity funds are all funds received from extracurricular school activities, such as entertainment, athletic contests, club dues, etc., and from any and all activities of the Schools involving personnel, students, or property.

Basis of accounting:

The accounts are maintained, and the statements are presented, on a basis reflecting only recorded cash receipts and expenditures. Therefore, receivables, inventories, accrued revenues, and equipment and depreciation, which may be material in amount, are not reflected, and these statements are not intended to present the overall financial position or results of operations in conformity with generally accepted accounting principles.

Cash and cash equivalents:

For purposes of reporting cash, the Schools consider all certificates of deposit, savings accounts, and money market funds with an original maturity of three months or less to be cash equivalents.

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Transfers:

From time to time, due to school closings and reallocation of students, it is necessary to make transfers from one school to another. Other transfers between schools will occur due to students participating in extracurricular activities at other schools within Roanoke City. Such transfers are approved by the principal and are reflected at their gross amount in the accompanying financial statement.

## **COMPLIANCE SECTION**

**INDEPENDENT AUDITOR’S 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**

Honorable Members of the  
City of Roanoke School Board  
Roanoke, Virginia

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 accompanying statement of cash receipts and expenditures of the Roanoke City Public Schools School Activity Funds (the “Activity Funds”) for the year ended June 30, 2016, and the related note to the financial statement and have issued our report thereon dated October 17, 2016. Our report on the financial statement is qualified due to the lack of adequate internal controls over the receipt function which prevents us from applying adequate audit procedures to indicate whether all receipts were recorded.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Activity Funds’ internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Activity Funds’ internal control. Accordingly, we do not express an opinion on the effectiveness of the Activity Funds’ 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 a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph 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, we identified a deficiency in internal control over financial reporting, as described below, that we consider to be a material weakness.

In general, internal controls are designed to safeguard assets and help prevent losses from employee dishonesty or error. A fundamental concept of internal control is the separation of duties. The basic premise of this concept is that no one employee should have access to both collecting cash receipts and making cash disbursements, or to all phases of a transaction. Due to the limited size of the staff at the schools, a proper separation cannot be established and maintained for the cash receipts process.

## Internal Control over Financial Reporting (Continued)

Due to the decentralized nature of cash collections, it is not practical or cost beneficial to establish adequate internal accounting controls to ensure that all cash receipts are recorded. This is a common situation among school activity funds and similar organizations.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Activity Funds' financial statement is free of 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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Roanoke City Public Schools School Activity Fund's Response to Findings

Roanoke City Public Schools School Activity Fund's responses to the findings identified in our audit are described below. The School Activity Fund's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Management Response:** *RCPS agrees that the decentralized nature of cash collections creates challenges for our internal control efforts as it relates to ensuring all cash receipts have been recorded. However, we will continue to train school administrative staff on our processes for cash collections, monitor those processes throughout the year, and quickly address any identified deficiencies, to maximize our effectiveness in this area.*

## 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 Activity Funds' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Activity Funds' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
October 17, 2016

**ROANOKE CITY PUBLIC SCHOOLS**  
**SUMMARY OF COMPLIANCE MATTERS**  
**June 30, 2016**

As more fully described in the Independent Auditor's 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*, we performed tests of compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

**STATE COMPLIANCE MATTERS**

*Code of Virginia*

Cash and Investment Laws

Procurement Laws

Uniform Disposition of Unclaimed Property Act