

BATH COUNTY SCHOOL BOARD

AGENDA ITEM: INFORMATION { X } ACTION { } CLOSED MEETING { }

SUBJECT: SUPERINTENDENT’S PRESENTATIONS/REPORTS

School Activity Funds Fiscal 2013 Audit – Mr. Rider

BACKGROUND: Per School Board Policy DGC, School Activity Funds: “At least once a year, a duly qualified accountant, accounting firm, or internal auditor shall perform an audit, examination, or review of school activity funds to ensure funds are being managed in accordance with this policy and all funds are properly accounted for...” Audit for Fiscal Year 2013 is enclosed for review. Principals will have further information regarding issues presented in audit.

BATH COUNTY PUBLIC SCHOOLS

ACTIVITY FUNDS

Warm Springs, Virginia

FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

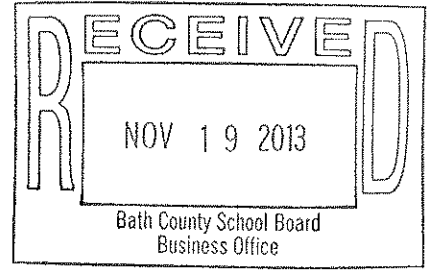
For the Year Ended June 30, 2013

ANDERSON, WHITE & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

STAUNTON, VIRGINIA

STUARTS DRAFT, VIRGINIA



BATH COUNTY PUBLIC SCHOOLS

ACTIVITY FUNDS

Warm Springs, Virginia

FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

1

For the Year Ended June 30, 2013

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3-4
Financial Statements:	
Exhibit A Statement of Assets and Fund Balances Arising from Cash Transactions	5
Exhibit B Statement of Cash Receipts, Cash Disbursements, and Cash Balances	6
Notes to Financial Statements	7-8
Independent Auditor's Report on Supplementary Information	9
Supplementary Information:	
Schedule 1 Statement of Cash Receipts, Cash Disbursements, and Cash Balances – Bath County High School and Mertz Vocational Center	10-11
Schedule 2 Statement of Cash Receipts, Cash Disbursements, and Cash Balances – Millboro Elementary School	12
Schedule 3 Statement of Cash Receipts, Cash Disbursements, and Cash Balances – Valley Elementary School	13

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INDEPENDENT AUDITOR'S REPORT

Bath County School Board
Warm Springs, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the Bath County Public Schools Activity Funds (the Activity Funds), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Activity Funds' 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 the cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

Auditor's 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 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the Bath County Public Schools Activity Funds, as of June 30 2013, and the revenues received and expenditures paid for the year then ended on the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are 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 November 15, 2013, on our consideration of the 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 Activity Funds' internal control over financial reporting and compliance.

Anderson, White & Company, P.C.

Staunton, Virginia
November 15, 2013

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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

Bath County School Board
Warm Springs, 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 financial statements of the Bath County Public Schools Activity Funds (the Activity Funds) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Activity Funds' basic financial statements, and have issued our report thereon dated November 15, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, 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 statements, 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's 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 of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Anderson, White & Company, P.C.

Staunton, Virginia
November 15, 2013

FINANCIAL STATEMENTS

BATH COUNTY PUBLIC SCHOOLS ACTIVITY FUNDS

Statement of Assets and Fund Balances
 Arising from Cash Transactions
 As of June 30, 2013

ASSETS

Cash			
Bath County High School and Mertz Vocational Center			
Checking account	\$	41 448 03	
Certificates of deposit		<u>49 731 51</u>	\$ 91 179 54
Millboro Elementary School			
Checking account			17 642 77
Valley Elementary School			
Checking account			<u>15 483 09</u>
Total Assets			\$ <u><u>124 305 40</u></u>

FUND BALANCES

Bath County High School and Mertz Vocational Center			
Restricted for Scholarships and Awards			
Assigned to Activity Funds	\$	31 130 99	
Assigned to Activity Funds		<u>60 048 55</u>	\$ 91 179 54
Millboro Elementary School			
Assigned to Activity Funds			17 642 77
Valley Elementary School			
Assigned to Activity Funds			<u>15 483 09</u>
Total Fund Balances			\$ <u><u>124 305 40</u></u>

The accompanying notes to financial statements are an integral part of this statement.

BATH COUNTY PUBLIC SCHOOLS ACTIVITY FUNDS

Statement of Cash Receipts, Cash Disbursements,
and Cash Balances
For the Year Ended June 30, 2013

	<u>Bath County High School and Mertz Vocational Center</u>	<u>Millboro Elementary School</u>	<u>Valley Elementary School</u>
RECEIPTS:			
Revenue	\$ <u>228 284 93</u>	\$ <u>43 019 00</u>	\$ <u>48 480 61</u>
Total Receipts	\$ <u>228 284 93</u>	\$ <u>43 019 00</u>	\$ <u>48 480 61</u>
 DISBURSEMENTS:			
Expenditures	\$ <u>243 723 97</u>	\$ <u>38 307 60</u>	\$ <u>51 589 64</u>
Total Disbursements	\$ <u>243 723 97</u>	\$ <u>38 307 60</u>	\$ <u>51 589 64</u>
Excess (Deficiency) of Receipts Over Disbursements	\$ (15 439 04)	\$ 4 711 40	\$ (3 109 03)
 FUND BALANCE - Beginning of Year			
	<u>106 618 58</u>	<u>12 931 37</u>	<u>18 592 12</u>
 FUND BALANCE - End of Year			
	<u><u>\$ 91 179 54</u></u>	<u><u>\$ 17 642 77</u></u>	<u><u>\$ 15 483 09</u></u>

The accompanying notes to financial statements are an integral part of this statement.

BATH COUNTY PUBLIC SCHOOLS ACTIVITY FUNDS

NOTES TO FINANCIAL STATEMENTS For the Year Ended June 30, 2013

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the school's activity funds conform to practices prescribed by the State Board of Education for such funds. Policies considered to be significant are described below:

- a. General description of activity - The accounts of the Bath County Schools Activity Funds include monies held in a fiduciary capacity for all student services and activities. Revenues consist principally of admission ticket sales, membership dues, sales of goods and services, rents and contributions. Expenditures consist principally of purchases of supplies, items for resale, books, transportation, uniforms, insurance, food, compensation to officials, and national club fees.
- b. Basis of accounting - The combined statement of the school's activity funds is prepared on the basis of cash receipts and disbursements. Revenue is recognized when received rather than when earned and expenditures are recorded when disbursed rather than when the obligation is incurred. Accordingly, the accompanying statements are not intended to present financial position, results of operations and changes in financial position in conformity with generally accepted accounting principles.
- c. Reporting entity - The financial statements present only the school activity funds and do not purport to, and do not, present fairly the financial position of the County of Bath, Virginia.
- d. Transfers - Interfund, interbank, interschool and intrafund transfers, if any, are eliminated in presenting cash receipts and disbursements.
- e. Contributed goods and services - Participants and patrons of programs included in various school activities may contribute goods or services to which no value has been assigned by the schools in the accompanying financial data.

NOTE 2--TAX STATUS OF THE FUNDS

The school activity funds are exempt from federal and state income taxes.

NOTE 3--POOLED BANK ACCOUNTS

Separate bank accounts are not used for each activity fund. Instead, cash is maintained by each school in pooled bank accounts with accounting records maintained to show the portion of the balance attributable to each fund. Separate bank accounts, generally money market and certificates of deposit, are established for any funds restricted by donors, such as memorials and scholarships.

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.

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION

Bath County School Board
Warm Springs, Virginia

We have audited the financial statements of the Bath County Public Schools Activity Funds as of and for the year ended June 30, 2013, and our report thereon dated November 15, 2013, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of cash receipts, cash disbursements, and cash balances for Bath County High School and Mertz Vocational Center, Millboro Elementary, and Valley Elementary School are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Anderson, White & Company, P.C.

Staunton, Virginia
November 15, 2013

SUPPLEMENTARY INFORMATION

BATH COUNTY PUBLIC SCHOOLS ACTIVITY FUNDS

BATH COUNTY HIGH SCHOOL & MERTZ VOCATIONAL CENTER ACTIVITY FUND ACCOUNTS

Statement of Cash Receipts, Cash Disbursements, and Cash Balances

For the Year Ended June 30, 2013

	Cash Balance at 7/1/12	Cash Receipts	Cash Disbursements	Transfers	Cash Balance at 6/30/13
ASSIGNED:					
BATH COUNTY HIGH SCHOOL:					
Athletic	\$ 12 467 97	\$ 38 018 74	\$ 36 616 56	\$ (878 83)	\$ 12 991 32
Athletic - Temporary	-	46 797 22	48 420 05	1 622 83	-
Band	15 992 72	65 996 83	68 030 37	-	13 959 18
Beta	3 452 89	5 385 32	3 623 63	-	5 214 58
Cafeteria	99 42	275 00	243 75	-	130 67
Change	-	9 500 00	9 550 00	50 00	-
Chatelaines	487 98	1 387 25	1 755 84	-	119 39
Graduates '12	556 72	-	-	-	556 72
Seniors '13	3 784 53	4 316 00	5 178 04	-	2 922 49
Juniors '14	6 984 93	10 637 90	16 421 47	-	1 201 36
Sophomores '15	2 091 12	1 225 05	369 30	-	2 946 87
Freshmen '16	451 00	528 00	-	-	979 00
Eighth Grade '17	-	480 00	-	-	480 00
Co-ed Hi-Y	742 91	-	-	(742 91)	-
English	110 00	-	-	(110 00)	-
Equestrian Club	121 14	-	-	-	121 14
General	614 24	4 820 66	4 738 00	(637 02)	59 88
General - Temporary	-	3 178 00	3 853 52	675 52	-
Interest	47 45	19 94	211 12	143 73	-
School Improvement Fund	8 257 49	-	5 432 46	856 63	3 681 66
Library	752 95	-	-	(752 95)	-
Supplies	1 343 92	479 00	758 09	(655 06)	409 77
Special Ed Snack Fund	273 10	180 00	408 21	-	44 89
Pack the Bus	166 67	500 00	141 69	-	524 98
Skills USA	191 07	-	-	-	191 07
SCA	266 84	-	10 20	-	256 64
Friends of Rachel	100 00	-	-	-	100 00
Operation Smile	199 00	751 93	230 32	(17 75)	702 86
School Board	-	8 642 48	8 848 84	206 36	-
Ann Sam's Art Fund	202 34	-	-	-	202 34
Johnny Gazzola Memorial Fund	207 09	-	-	-	207 09
Social Committee	33 46	370 00	65 97	-	337 49
Textbooks - Lost and Found	54 05	-	-	(54 05)	-
Technology Students	70 00	-	-	-	70 00
Yearbook	2 710 93	6 162 00	7 948 75	-	924 18

BATH COUNTY PUBLIC SCHOOLS ACTIVITY FUNDS

VALLEY ELEMENTARY SCHOOL ACTIVITY FUND ACCOUNTS

Statement of Cash Receipts, Cash Disbursements, and Cash Balances
For the Year Ended June 30, 2013

	<u>Cash Balance at 7/1/12</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Transfers</u>	<u>Cash Balance at 6/30/13</u>
ASSIGNED:					
Drama Club	\$ 928 07	\$ -	\$ -	\$ -	\$ 928 07
Ecology Club	1 010 87	-	-	-	1 010 87
General Fund	9 110 73	20 121 08	22 758 77	-	6 473 04
Interest	586 79	42 52	290 13	-	339 18
Kindergarten	93 31	371 75	465 06	-	-
Library - Book Fair	2 933 92	6 918 24	7 031 98	-	2 820 18
Music	171 91	-	-	-	171 91
Pre-School	3 32	811 89	701 11	-	114 10
Sixth Grade	1 669 50	4 531 00	3 299 00	(1 669 50)	1 232 00
Seventh Grade	39 10	15 190 80	16 791 22	1 669 50	108 18
School Board	25 00	-	15 00	-	10 00
Sunshine Fund	116 02	225 00	28 00	-	313 02
Jean Fridays	297 08	160 00	-	-	457 08
Science	250 00	-	-	-	250 00
Textbooks - Lost & Damaged	603 89	-	-	-	603 89
SCA	354 95	108 33	209 37	-	253 91
CCC Refund	16 75	-	-	-	16 75
Principal's Discretionary	240 83	-	-	-	240 83
Early Childhood Books	72 80	-	-	-	72 80
HP - Nature Trail	22 09	-	-	-	22 09
HP - Preschool Art	45 19	-	-	-	45 19
Grand Total	<u>\$ 18 592 12</u>	<u>\$ 48 480 61</u>	<u>\$ 51 589 64</u>	<u>-</u>	<u>\$ 15 483 09</u>

See independent auditor's report on additional information.

ANDERSON, WHITE & COMPANY, P.C.

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November 15, 2013

Sue Hirsh, Superintendent
Bath County Schools
Warm Springs, Virginia

We have audited the financial statements of the Bath County Public Schools Activity Funds for the year ended June 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 22, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Bath County Public Schools Activity Funds are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have required certain representations from management that are included in the management representation letter dated November 15, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the cash basis of accounting, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the School Board and management of the Bath County Public Schools Activity Funds and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Anderson, White & Company, P.C.

ANDERSON, WHITE & COMPANY, P.C.

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November 15, 2013

Bath County School Board
Warm Springs, Virginia

In planning and performing our audit of the financial statements of the Bath County Public Schools Activity Funds for the year ended June 30, 2013, we considered the Activity Funds' internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated November 15, 2013, on the financial statements of the Bath County Public Schools Activity Funds.

We have already discussed these comments with management and many have already been appropriately addressed. We will review the status of these comments during our next audit engagement and would be pleased to discuss them in further detail at your convenience, or to assist you in implementing the recommendations.

Sincerely,

Anderson, White & Company, P.C.

MANAGEMENT LETTER POINTS

Cash Receipts

We noted issues with cash receipts for Bath County High School ticket sales. Some ticket reconciliation worksheets were incomplete. Names for the ticket seller/gate assignment and/or the administrator were sometimes blank. And more critically, there were some cases where the beginning or ending ticket number was blank, which invalidates the entire control over the total cash to be turned over to the bookkeeper.

We strongly recommend completing the ticket reconciliation worksheets in their entirety. Cash receipts is one area of fraud risk for the Activity Funds and utilizing the pre-numbered tickets as intended is one way of mitigating that risk.

Cash Disbursements

We noted issues with cash disbursements for Bath County High School as follows:

<u>Date</u>	<u>#</u>	<u>Amount</u>	<u>Payee</u>	<u>Activity Fund</u>
1. No supporting documentation located:				
10/13/12	17006	\$ 60.00	Cucci's	General
2. No requisition attached (thus not documented as approved and approved for payment. Invoices were located for all except #17244 and checks were signed appropriately):				
08/31/12	16901	\$ 166.25	McAllister's General Store	School Board
09/05/12	16929	956.80	Pepsi Bottling	Athletic Temp
10/23/12	17024	956.80	Pepsi Bottling	Athletic Temp
03/28/13	17244	59.80	Allen's Crowns & Trophies	Beta
3. Not approved for payment by Principal on requisition (but was approved by Teacher-Sponsor):				
02/20/13	17190	\$ 3,394.97	Spartan Sporting Goods	Athletic Temp
4. Invoice not attached:				
03/28/13	17244	\$ 59.80	Allen's Crowns & Trophies	Beta

While each one of these items may not necessarily be a weakness in internal control itself because there was usually at least one other person involved in the transaction, we recommend supporting documentation for disbursements be properly maintained, including having all necessary signatures on all requisition forms. The requisition forms are an important part of the internal control process because they document the appropriateness and oversight of each disbursement. These controls are in place to protect both the activity funds and those involved in processing the transactions and should be followed on all occasions.