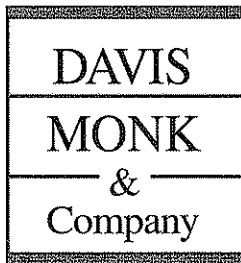


AUDIT REPORT
HOLMES COUNTY DISTRICT
SCHOOL BOARD
INTERNAL ACCOUNTS
JUNE 30, 2008

**Audit Report
June 30, 2008
Holmes County District School Board Internal Accounts**

CONTENTS

	<u>PAGE</u>
Independent Auditors' Report.....	1
Statement of Fiduciary Net Assets.....	3
Notes to Financial Statement.....	4
Supplemental Information:	
Schedule of Assets Held for Others:	
Bonifay Elementary School	5
Bonifay Middle School	6
Holmes County High School.....	7
Bethlehem School	8
Ponce De Leon Elementary School.....	9
Ponce De Leon High School	10
Poplar Springs School	11
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters/Communication with Those Charged with Governance.....	12
Schedule of Findings and Other Matters	16



Certified Public Accountants
& Business Consultants

*A Partnership Consisting of
Professional Associations*

Gainesville

4010 N.W. 25th Place
P.O. Box 13494 (32604)
Gainesville, Florida 32606
Phone: (352) 372-6300
(800) 344-5034
Fax: (352) 375-1583

Palatka

906 South State Road 19
Palatka, Florida 32177
Phone: (386) 325-4561
Fax: (386) 328-1014

St. Augustine

1301 Plantation Island Dr.
Suite 205A
St. Augustine, Florida 32080
Phone: (904) 471-3445
Fax: (904) 471-3825

Website:

www.davismonk.com

Independent Auditors' Report

District School Board
Holmes County, Florida

We have audited the accompanying statement of fiduciary net assets of the Holmes County District School Board Internal Accounts (the "Internal Accounts") as of June 30, 2008. This financial statement is the responsibility of the management of the Holmes County District School Board. 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 our audit provides a reasonable basis for our opinion.

As discussed in Note 1 of the Notes to Financial Statement, the accompanying financial statement includes only the fiduciary net assets of the Internal Accounts. The financial statement does not include other fiduciary net assets of the District School Board and, accordingly, does not purport to, and does not present the fiduciary net assets of the District School Board in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of the Internal Accounts as of June 30, 2008, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 29, 2009 on our consideration of the Internal Accounts' internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Members:

CPAmerica International

Florida Institute of
Certified Public Accountants

American Institute of
Certified Public Accountants

Horwath International

Our audit was made for the purpose of forming an opinion on the statement of fiduciary net assets. The supplemental information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statement of the Internal Accounts. Such information has been subjected to the auditing procedures applied in the audit of the statement of fiduciary net assets and, in our opinion, is fairly stated in all material respects in relation to the financial statement taken as a whole.

Davis, Mark } Company

January 29, 2009
Gainesville, Florida

Statement of Fiduciary Net Assets
June 30, 2008
Holmes County District School Board Internal Accounts

ASSETS

Cash and Equivalents	\$ 299,471
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LIABILITIES

Assets Held for Others	<u>299,471</u>
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NET ASSETS	<u><u>\$ -</u></u>
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See accompanying notes.

Notes to Financial Statement
June 30, 2008
Holmes County District School Board Internal Accounts

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The accompanying financial statement includes the effects of activity relating exclusively to the internal accounts of the schools within the Holmes County, Florida school system (the “Internal Accounts”). The financial statement does not include other financial activities of the Holmes County District School Board.

The Internal Accounts’ balances are included, as agency funds, in the financial reporting entity of the Holmes County District School Board.

Basis of Accounting

The accompanying financial statement is presented on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

NOTE 2 – CASH AND EQUIVALENTS

All deposits are placed in financial institutions that qualify as public depositories. Accordingly, all deposits are insured by Federal depository insurance and/or collateralized pursuant to Chapter 280, Florida Statutes.

SUPPLEMENTAL INFORMATION

**BONIFAY ELEMENTARY SCHOOL INTERNAL FUNDS
SCHEDULE OF ASSETS HELD FOR OTHERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

<u>Activity</u>	<u>Cash Balances July 1, 2007</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Net Transfers</u>	<u>Cash Balances June 30, 2008</u>
Music	\$ 403	\$ 1,719	\$ 1,960	\$ -	\$ 162
Classes, Clubs and Departments					
Annual	2,773	4,612	4,095	-	3,290
Art	-	200	195	-	5
B.E.S. Boosters	9,339	27,204	26,651	-	9,892
ESE	-	104	99	-	5
Library/Media Center	2,364	6,847	6,229	-	2,982
Physical Education	2,435	5,332	5,793	-	1,974
Reading	13	-	-	-	13
Staff Courtesy	792	522	781	-	533
Success/Store	-	1,140	529	-	611
Technology	8,042	2,802	1,416	-	9,428
Total Classes, Clubs and Departments	<u>25,758</u>	<u>48,763</u>	<u>45,788</u>	<u>-</u>	<u>28,733</u>
Trust Funds					
Kindergarten	-	3,997	3,945	-	52
First Grade	11	2,120	2,126	-	5
Second Grade	66	1,254	1,282	-	38
Third Grade	75	890	875	-	90
Fourth Grade	-	1,414	1,400	-	14
Fourth Grade-Signature	8	631	497	-	142
Total Trust Funds	<u>160</u>	<u>10,306</u>	<u>10,125</u>	<u>-</u>	<u>341</u>
General Fund	<u>18,526</u>	<u>30,680</u>	<u>19,830</u>	<u>-</u>	<u>29,376</u>
TOTAL CASH	<u>\$ 44,847</u>	<u>\$ 91,468</u>	<u>\$ 77,703</u>	<u>\$ -</u>	<u>58,612</u>
ASSETS HELD FOR OTHERS					<u>\$ 58,612</u>

**BONIFAY MIDDLE SCHOOL INTERNAL FUNDS
SCHEDULE OF ASSETS HELD FOR OTHERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

<u>Activity</u>	<u>Cash Balances July 1, 2007</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Net Transfers</u>	<u>Cash Balances June 30, 2008</u>
Athletics	\$ 2,313	\$ 21,636	\$ 19,564	\$ 419	\$ 4,804
Classes, Clubs and Departments					
Beta Club	1,925	45,256	46,454	-	727
Boosters	11	-	-	(11)	-
Cheerleaders	6	4,961	4,548	(419)	-
Class - Fifth Grade	1,490	10,982	10,561	-	1,911
Class - Sixth Grade	791	1,210	1,105	-	896
Class - Seventh Grade	570	4,944	4,556	-	958
Class - Eighth Grade	579	2,696	2,828	-	447
F.C.C.L.A.	168	2,342	1,992	-	518
G.A.P.	2,063	6,645	7,509	-	1,199
Library/Media Center	934	4,574	4,130	(75)	1,303
8th Science	282	-	-	-	282
7th Science	38	-	-	-	38
Store	2,065	1,805	1,643	-	2,227
Tech	-	156	-	-	156
Year Book	3,740	2,220	4,355	75	1,680
Total Classes, Clubs and Departments	<u>14,662</u>	<u>87,791</u>	<u>89,681</u>	<u>(430)</u>	<u>12,342</u>
Trust Fund	-	245	245	-	-
General Fund	<u>12,896</u>	<u>20,147</u>	<u>13,427</u>	<u>11</u>	<u>19,627</u>
TOTAL CASH	<u>\$ 29,871</u>	<u>\$ 129,819</u>	<u>\$ 122,917</u>	<u>\$ -</u>	<u>36,773</u>
ASSETS HELD FOR OTHERS					<u>\$ 36,773</u>

**HOLMES COUNTY HIGH SCHOOL INTERNAL FUNDS
SCHEDULE OF ASSETS HELD FOR OTHERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Activity	Cash Balances July 1, 2007	Cash Receipts	Cash Disbursements	Net Transfers	Cash Balances June 30, 2008
Athletics					
Baseball	\$ -	\$ 7,353	\$ 5,828	\$ (662)	\$ 863
Basketball - Boys	1,844	8,730	5,273	(2,089)	3,212
Basketball - Girls	1,197	7,372	4,789	(1,071)	2,709
Football	7,158	25,025	28,074	251	4,360
Football Jackets	400	-	-	-	400
Fundraising	-	531	1,062	530	(1)
Golf	27	1,086	775	(339)	(1)
Panhandle Athletic Conf	-	6,905	6,813	(92)	-
Softball	(1,142)	11,572	8,391	(2,039)	-
Volleyball	460	4,868	4,987	73	414
Total Athletics	<u>9,944</u>	<u>73,442</u>	<u>65,992</u>	<u>(5,438)</u>	<u>11,956</u>
Classes, Clubs and Departments					
Alpha Tri-Hi-Y	511	170	-	(75)	606
Annual	5,724	20,169	23,461	985	3,417
Art	806	630	1,238	-	198
Auditorium	100	-	-	(100)	-
Beta Club	1,591	8,947	8,619	(100)	1,819
Bus Mileage	-	-	-	6,397	6,397
Cheerleaders - Junior	1,766	6,859	8,776	761	610
Cheerleaders - Varsity	2,872	18,329	16,761	(2,400)	2,040
Class - Junior	885	15,685	13,044	(1,362)	2,164
Class - Senior	2,639	14,785	15,732	(929)	763
Class - Sophomore	-	154	-	-	154
Class of 2007	-	-	1,242	1,242	-
Cookbooks	1,502	190	1,181	-	511
Drama Club	5,178	15,243	17,269	-	3,152
Earth Science	48	645	436	100	357
Faculty Fund	176	1,022	787	(105)	306
Family Consumer	-	1,000	150	(234)	616
F.B.L.A.	90	7,126	7,802	586	-
Fellowship Christian	247	102	-	-	349
F.C.C.L.A.	301	320	363	(41)	217
F.C.C.L.A. - County Council	197	507	255	41	490
F.F.A.	800	9,021	9,575	-	246
Food Service Class	169	596	722	-	43
Heartwarmers	4	-	-	-	4
Junior R.O.T.C.	172	218	530	225	85
Key Club	2,785	3,110	4,522	(875)	498
Leadership Team	208	-	316	500	392
Library/Media Center	2,555	750	939	(168)	2,198
Literacy Fund	278	-	142	-	136
Mu Alpha Theta	33	-	-	-	33
National Honor Society	409	685	510	(45)	539
Photography	44	347	1,357	1,100	134
Reading Lab	16	-	-	-	16
Senior Class Trip	-	1,899	880	(1,019)	-
Spanish Club	107	633	672	-	68
Student Government	1,227	5,411	6,146	(155)	337
Technology Education	37	16	53	-	-
Total Classes, Clubs and Departments	<u>33,477</u>	<u>134,569</u>	<u>143,480</u>	<u>4,329</u>	<u>28,895</u>
Trust Funds					
Teacher Lead Funds	171	-	18	(100)	53
Scholarship Fund	-	2,452	2,063	687	1,076
Trust Fund	-	990	25	-	965
Total Trust Funds	<u>171</u>	<u>3,442</u>	<u>2,106</u>	<u>587</u>	<u>2,094</u>
General Fund	<u>1,428</u>	<u>11,876</u>	<u>10,729</u>	<u>522</u>	<u>3,097</u>
TOTAL CASH	<u>\$ 45,020</u>	<u>\$ 223,329</u>	<u>\$ 222,307</u>	<u>\$ -</u>	<u>46,042</u>
ASSETS HELD FOR OTHERS					<u>\$ 46,042</u>

**BETHLEHEM SCHOOL INTERNAL FUNDS
SCHEDULE OF ASSETS HELD FOR OTHERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Activity	Cash Balances July 1, 2007	Cash Receipts	Cash Disbursements	Net Transfers	Cash Balances June 30, 2008
Athletics					
Boy's Baseball	\$ 25	\$ 8,722	\$ 8,745	\$ -	\$ 2
Boy's Basketball	3,875	13,740	14,187	-	3,428
Girl's Athletics	63	20,777	20,010	-	830
Total Athletics	<u>3,963</u>	<u>43,239</u>	<u>42,942</u>	<u>-</u>	<u>4,260</u>
Classes, Clubs and Departments					
Business Education	578	155	244	-	489
Cheerleaders - Varsity	1,550	5,793	6,703	-	640
Class - Fourth	14	3,124	3,109	-	29
Class - Fifth	127	22,277	22,170	-	234
Class - Junior	601	8,411	4,755	(601)	3,656
Class - Senior	67	19,755	20,353	534	3
Computer Education	3,671	701	-	-	4,372
Drama Class	3,397	8,866	6,761	-	5,502
Elementary Award	64	1,495	973	-	586
Elementary General	1,248	652	922	-	978
Elementary P.E.	236	-	-	-	236
F.B.L.A.	763	7,133	7,127	-	769
FCAT Spirit	112	-	-	-	112
F.C.C.L.A.	324	14,390	14,023	-	691
F.F.A.	4,675	8,867	8,775	-	4,767
Flower Fund	56	-	-	-	56
Journalism	5,870	9,571	15,328	-	113
Junior Beta Club	28	340	318	-	50
Key Club	1,430	3,858	2,996	-	2,292
Library/Media Center	1,197	5,656	5,541	-	1,312
Middle School Fund	186	-	173	-	13
Science Club	1,332	-	108	-	1,224
Senior Beta Club	11	5,303	5,140	-	174
Student Council	12	722	577	-	157
Teens For Christ	20	-	-	-	20
Vocal Ensemble	364	-	276	-	88
Wildcat Club	193	400	546	-	47
Total Classes, Clubs and Departments	<u>28,126</u>	<u>127,469</u>	<u>126,918</u>	<u>(67)</u>	<u>28,610</u>
Trust Fund					
Trust Fund	4,133	792	30	-	4,895
Wes Hencely Scholarship	175	-	-	-	175
Total Trust Fund	<u>4,308</u>	<u>792</u>	<u>30</u>	<u>-</u>	<u>5,070</u>
General Fund	<u>25,192</u>	<u>64,010</u>	<u>73,642</u>	<u>67</u>	<u>15,627</u>
TOTAL CASH	<u>\$ 61,589</u>	<u>\$ 235,510</u>	<u>\$ 243,532</u>	<u>\$ -</u>	<u>\$ 53,567</u>
ASSETS HELD FOR OTHERS					<u>\$ 53,567</u>

**PONCE DE LEON ELEMENTARY SCHOOL INTERNAL FUNDS
SCHEDULE OF ASSETS HELD FOR OTHERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

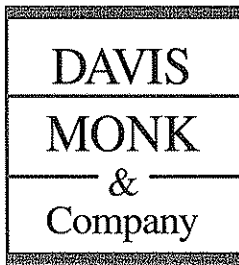
<u>Activity</u>	<u>Cash Balances July 1, 2007</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Net Transfers</u>	<u>Cash Balances June 30, 2008</u>
Classes, Clubs and Departments					
Art	\$ 35	\$ 1,042	\$ 1,398	\$ 500	\$ 179
Captain's Crew	2,281	16,689	15,135	(1,263)	2,572
Class - Pre-Kindergarten	-	-	-	17	17
Class - First	826	10,738	10,395	222	1,391
Class - Second	162	1,648	1,930	188	68
Class - Third	1,347	1,179	2,805	204	(75)
Class - Fourth	370	2,137	2,268	111	350
Class - Fifth	1,564	1,176	1,422	277	1,595
Kindergarten	77	2,537	3,087	455	(18)
Library	2,020	5,913	6,410	-	1,523
P.E. Account	1,417	2,153	1,915	-	1,655
P.T.O.	6,674	22,450	26,097	(500)	2,527
Scholarship	127	-	-	-	127
Store T.L.	632	4,207	3,816	-	1,023
Sunshine Fund	230	110	153	-	187
Yearbook	3,687	3,098	3,508	13	3,290
Total Classes, Clubs and Departments	<u>21,449</u>	<u>75,077</u>	<u>80,339</u>	<u>224</u>	<u>16,411</u>
Trust Fund					
Trust - Partners in Education	3,389	76	-	-	3,465
Challenger Fund - 5th	1,314	539	1,125	-	728
Total Trust Fund	<u>4,703</u>	<u>615</u>	<u>1,125</u>	<u>-</u>	<u>4,193</u>
General Fund	<u>7,037</u>	<u>8,552</u>	<u>8,095</u>	<u>(224)</u>	<u>7,270</u>
TOTAL CASH	<u>\$ 33,189</u>	<u>\$ 84,244</u>	<u>\$ 89,559</u>	<u>\$ -</u>	<u>27,874</u>
ASSETS HELD FOR OTHERS					<u>\$ 27,874</u>

**PONCE DE LEON HIGH SCHOOL INTERNAL FUNDS
SCHEDULE OF ASSETS HELD FOR OTHERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Activity	Cash Balances July 1, 2007	Cash Receipts	Cash Disbursements	Net Transfers	Cash Balances June 30, 2008
Athletics					
Athletic/General	\$ 1,828	\$ 7,012	\$ 8,281	\$ 2,028	\$ 2,587
Baseball	4,274	9,345	14,151	2,037	1,505
Boys Basketball	-	11,478	12,870	3,034	1,642
Softball	-	15,139	20,059	8,115	3,195
Girls Basketball	3,256	16,635	18,282	2,571	4,180
Total Athletics	<u>9,358</u>	<u>59,609</u>	<u>73,643</u>	<u>17,785</u>	<u>13,109</u>
Music	<u>2,233</u>	<u>8,859</u>	<u>7,302</u>	<u>(72)</u>	<u>3,718</u>
Classes, Clubs and Departments:					
Annual Staff	2,355	13,510	11,982	5,228	9,111
Beta Club	3	1,804	1,686	-	121
Beta Club - Junior	2,739	4,748	4,997	(150)	2,340
Booster Club	11,071	33,538	11,545	(21,713)	11,351
Booster Club Savings	-	-	-	1,248	1,248
Cheerleaders - Junior	183	5,181	4,222	624	1,766
Cheerleaders - Varsity	238	8,053	7,219	468	1,540
Class - Junior	1,500	17,242	17,488	(1,254)	-
Class - Senior	1	15,431	17,606	1,907	(267)
Drama Department	121	-	-	-	121
Elect. Desktop Publ.	346	470	648	-	168
ESE - Jr. High	262	-	88	-	174
Flower Fund/Staff	-	360	485	78	(47)
F.B.L.A.	874	23,349	21,879	(2,172)	172
F.B.L.A. - District II	1,237	949	1,159	265	1,292
F.F.A.	76	10,354	7,272	(1,069)	2,089
F.F.A. - Junior	1,865	-	-	-	1,865
FCCLA	204	29,530	26,655	(150)	2,929
Library/Media Center	250	171	297	-	124
Pep Club	49	-	-	-	49
Science Club	3,610	1,915	1,120	(150)	4,255
Store	154	1,298	851	-	601
Student Council	1,387	8,939	8,486	(320)	1,520
Youth For Christ	537	148	32	(163)	490
Total Classes, Clubs and Departments	<u>29,062</u>	<u>176,990</u>	<u>145,717</u>	<u>(17,323)</u>	<u>43,012</u>
Trust Fund	<u>1,709</u>	<u>4,145</u>	<u>4,648</u>	<u>(78)</u>	<u>1,128</u>
General Fund	<u>1,040</u>	<u>7,511</u>	<u>6,840</u>	<u>(312)</u>	<u>1,399</u>
TOTAL CASH	<u>\$ 43,402</u>	<u>\$ 257,114</u>	<u>\$ 238,150</u>	<u>\$ -</u>	<u>62,366</u>
ASSETS HELD FOR OTHERS					<u>\$ 62,366</u>

**POPLAR SPRINGS SCHOOL INTERNAL FUNDS
SCHEDULE OF ASSETS HELD FOR OTHERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Activity	Cash Balances July 1, 2007	Cash Receipts	Cash Disbursements	Net Transfers	Cash Balances June 30, 2008
Athletics					
Athletics	\$ 4,263	\$ 13,984	\$ 13,727	\$ 566	\$ 5,086
Baseball	128	3,065	2,399	(794)	-
Basketball - Boys	4	2,095	2,227	128	-
Basketball - Girls	281	1,970	2,285	34	-
Basketball-Youth	316	800	441	-	675
Softball	505	319	581	-	243
Total Athletics	<u>5,497</u>	<u>22,233</u>	<u>21,660</u>	<u>(66)</u>	<u>6,004</u>
Classes, Clubs and Departments					
Alumni	110	-	-	-	110
Beauty Pageant	-	1,286	1,286	-	-
Beta Club	-	2,132	1,777	(324)	31
Beta Club - Junior	871	5,155	6,164	333	195
Booster Club	963	21,276	17,876	(1,371)	2,992
Cheerleaders	117	587	622	-	82
Cheerleaders - Youth	-	2,152	3,152	1,000	-
Class - Junior	-	3,357	3,184	-	173
Class - Senior	349	8,266	8,181	-	434
Classroom Book Drive	745	691	1,869	851	418
Elementary	11	1,349	1,349	-	11
F.B.L.A.	822	100	516	-	406
F.C.A.	130	-	-	-	130
F.F.A.	1,297	3,594	4,780	66	177
F.C.C.L.A.	616	496	853	-	259
Field Trips	227	909	495	-	641
Fine Arts	186	866	703	-	349
Fourth Grade	6	19,655	19,099	-	562
Health	90	91	97	-	84
Honors Banquet	9	940	910	(9)	30
Hospitality Fund	-	880	822	-	58
Journalism	1,462	5,426	7,792	1,000	96
Kindergarten	229	783	857	-	155
Library/Media Center	226	2,582	2,740	-	68
Memorial	-	480	-	-	480
Playground Equipment	1	-	-	-	1
Projects	-	20,000	20,000	-	-
P.T.O.	842	9,253	11,024	1,000	71
Total Classes, Clubs and Departments	<u>9,309</u>	<u>112,306</u>	<u>116,148</u>	<u>2,546</u>	<u>8,013</u>
Trust Funds					
Lost Book Account	237	30	-	(267)	-
General Fund					
General	1,062	16,320	16,113	(1,049)	220
Miscellaneous	1,809	-	645	(1,164)	-
Total General Fund	<u>2,871</u>	<u>16,320</u>	<u>16,758</u>	<u>(2,213)</u>	<u>220</u>
TOTAL CASH	<u>\$ 17,914</u>	<u>\$ 150,889</u>	<u>\$ 154,566</u>	<u>\$ -</u>	<u>14,237</u>
ASSETS HELD FOR OTHERS					<u>\$ 14,237</u>



Certified Public Accountants & Business Consultants

A Partnership Consisting of Professional Associations

Gainesville

4010 N.W. 25th Place
P.O. Box 13494 (32604)
Gainesville, Florida 32606
Phone: (352) 372-6300
(800) 344-5034
Fax: (352) 375-1583

Palatka

906 South State Road 19
Palatka, Florida 32177
Phone: (386) 325-4561
Fax: (386) 328-1014

St. Augustine

1301 Plantation Island Dr.
Suite 205A
St. Augustine, Florida 32080
Phone: (904) 471-3445
Fax: (904) 471-3825

Website:

www.davismonk.com

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters/Communication with Those Charged with Governance

District School Board
Holmes County, Florida

We have audited the statement of fiduciary net assets of the Holmes County District School Board Internal Accounts (the "Internal Accounts") as of June 30, 2008, and have issued our report thereon dated January 29, 2009. Our report on the financial statement included a paragraph explaining that the financial statement includes only the fiduciary net assets of the Internal Accounts and does not include other fiduciary net assets of the Holmes County District School Board. 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.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Internal Accounts' internal control over financial reporting as a basis for designing our auditing procedures 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 Internal Accounts' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Internal Accounts' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Internal Accounts' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Internal Accounts' financial statements that is more than inconsequential will not be prevented or detected by the Internal Accounts' internal control. We consider the deficiency described in the accompanying Schedule of Findings and Other Matters to be a significant deficiency in internal control over financial reporting.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Internal Accounts' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Internal Accounts' 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*.

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Other Matters. We did not audit the District's response and, accordingly, we express no opinion on it.

We noted other matters that we reported to management in the accompanying Schedule of Findings and Other Matters.

Communication with Those Charged with Governance

Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statement prepared by management with your oversight is fairly presented, in all material respects. Our audit of the financial statement does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing.

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 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 during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statement prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates significantly affecting the financial statement.

The disclosures in the financial statement are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There are no particularly sensitive estimates significantly affecting the financial statements.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statement taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statement 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 requested certain representations from management that are included in the management representation letter.

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 financial statement or a determination of the type of auditor's opinion that may be expressed on the statement, 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 auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This report is intended solely for the information and use of the Holmes County District School Board and its management, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to take this opportunity to thank the principals and their staffs for the cooperation and courtesies extended during our audit. We have sincerely enjoyed our association with the Holmes County District School Board and look forward to a continuing relationship.

Please feel free to contact us if you have any questions or comments concerning the audit or other matters.

A handwritten signature in cursive script that reads "Davis North Company". The signature is written in dark ink and is positioned above the typed name and date.

January 29, 2009
Gainesville, Florida

**Schedule of Findings and Other Matters
For the Year Ended June 30, 2008
Holmes County District School Board Internal Accounts**

MATERIAL WEAKNESS

08-1 *Finding* – Some school employees who maintain accounting records also handle cash collections, cosign checks, and reconcile bank statement balances to the accounting records. Internal control over cash transactions would be strengthened if these duties were separated among employees. While we acknowledge that personnel may not always be available to permit such a separation of employee duties and responsibilities, we think it is important that you are made aware of this condition. We noted that some principals are reviewing bank reconciliations in order to help compensate for the lack of segregation of duties. We encourage all principals to perform this review process. We further encourage the principals to require that the bank statements be routed to them unopened and that they examine the cancelled checks (or check copies) for alterations or unusual payees.

District's Response – We acknowledge that incompatible duties cannot always be adequately separated and will do our best to provide compensating controls.

OTHER MATTERS

In addition to the material weakness described above, we also noted other matters which we feel should be brought to your attention. Such matters are hereafter presented for your consideration.

Unless otherwise indicated, all references are to Chapter 7 of the Florida Department of Education's Financial and Program Cost Accounting and Report For Florida Schools generally referred to as the Red Book.

All Schools

Other Compensation to District Employees

- Instances were noted at each school whereby payments for "Other Compensation" were made to employees of the district for various additional duties. Section II, 6, states that employees of the district who are compensated for additional services, such as game personnel to work at athletic events, shall be paid through the district payroll department or when appropriate as prescribed by school board rule. We noted instances at each school where District employees received compensation from the internal accounts for additional services including bus driving on field trips, working at athletic events, assisting with banquets, etc. In lieu of Holmes District School Board having a board policy addressing the payment of school board personnel for such services, we recommend the payment of these additional services be paid through the district payroll department.

Cash Receipts

- Section III 1.4(a), states that all money collected by the school must be substantiated by pre-numbered receipts, consecutively numbered class receipt records, reports of monies collected, pre-numbered tickets, reports of tickets issued and sold or other auditable records. Instances were noted at each school whereby monies collected outside the school office were not properly documented. We recommend that all collections be substantiated by proper documentation to support the amount collected on behalf of the school. While one school has implemented the use of teacher receipt books we recommend that all schools consider the enhancement and accountability that this additional procedure would lend to their internal controls.

**Schedule of Findings and Other Matters
For the Year Ended June 30, 2008
Holmes County District School Board Internal Accounts**

Bonifay Elementary School, Bonifay Middle School, Holmes County High School, Ponce De Leon Elementary School, and Poplar Springs

Sales Tax

- We noted fundraising activities whereby sales tax was not paid to the supplier nor was sales tax collected and later remitted to the Florida Department of Revenue (FDOR). We recommend that procedures be established to ensure compliance with sales tax regulations as established by the State of Florida.

Bonifay Elementary School, Bonifay Middle School, Ponce De High School, and Poplar Springs

Cash Disbursements

- School internal account funds shall be used to benefit the activities of a school, as authorized by the district school board. Instances were noted whereby school internal funds were expended for the benefit of the faculty (i.e., dinners, gifts). While expenditures of this nature are not prohibited, generally there is evidence of staff contributions to the internal account funds for this type of expenditure (i.e., staff donations, profits from vending machines in the teacher lounge, etc.). It is recommended that appropriate resources be used to fund such activities in the future.

Holmes County High School, Ponce De Leon Elementary School, Ponce De Leon High School, Poplar Springs, and Bethlehem

Property Management

- Section III 3.6(b) provides that notification to the appropriate district office is required when items that meet the criteria for fixed assets are purchased. Our tests disclosed property items that had not been reported to the District office for inclusion in the District's property records nor had the assets been tagged for proper identification as school board property. It is recommended that all property acquisitions be reported to the District for inclusion on the District's property records.

Ponce De Leon Elementary School and Ponce De Leon High School

Cash Management

- We noted several instances whereby activity accounts held negative balances at fiscal year end. Section I, 10, states that purchases from internal accounts shall not exceed the resources of the applicable student activity/project account. While the individual accounts held negative balances, sufficient funds were available in the general fund to cover these deficits. We recommend that management monitor the ongoing activities of each individual activity account to ensure that sufficient funds are available prior to purchase commitments.

Holmes County High School and Ponce De Leon High School

Cash Receipts

- Generally, supporting documentation for cash collections should be retained with the receipt copy for audit purposes as well as good business practice. Documentation to be retained includes, but is not limited to: check stubs, decentralized receipt books, monies collected forms, fundraiser activity forms, tickets, and cash register tapes. A clear audit trail should document and evidence the transfer

**Schedule of Findings and Other Matters
For the Year Ended June 30, 2008
Holmes County District School Board Internal Accounts**

of responsibility from the original point of collection to the deposit in the bank. These documents should be cross referenced to outlying receipts when used to document the cash collections. Our audit tests disclosed several exceptions whereby supporting documentation for cash collections was not retained. We recommend that such documentation for cash collections be retained by all parties receiving cash on behalf of the school to ensure proper accountability of school funds and evidence the transfer of responsibility.

Holmes County High School

Cash Receipts

- We noted instances whereby monies were not deposited in a timely manner as prescribed by governing rules and policies. In accordance with Chapter 7, Section III 1.4(c) the School should implement procedures to ensure that all cash collections are deposited within five (5) business days of cash collection.

Cash Disbursements

- An instance was noted whereby a District employee remitted and was paid a mileage and meal per diem for day travel. Board policy requires all travel reimbursement to be paid in accordance with Florida Statute. Our review noted that the travel per diem paid was not in accordance with Florida Statute nor was sufficient travel information provided in order to calculate the appropriate quantities for reimbursement. We recommend that all reimbursements for travel be paid in accordance with Board Policy and Florida Statute as well as the appropriate internal procedures be followed to ensure proper approval and compliance.

Ponce De Leon High School

Cash Disbursements

- Section II 4, provides that approved pre-numbered checks shall be used as the means for disbursing funds, and as the basis for accounting entries, with the exception of disbursements from properly established petty cash funds. We noted that the School obtained a debit card associated with the School's bank account and was used by District personnel while on the School senior trip. While these personnel were authorized to use the funds designated in the Senior activity account for this purpose, this method also gave them access to all funds within the School's bank account. Due to the risk involved with having unlimited access to School funds, we recommend consideration be given to using a different method for future travel to ensure compliance with applicable rules.
- We noted several exceptions whereby there was no vendor invoice available to support the expenditure made. All expenditures should be supported by appropriate documentation to establish the validity, dollar amount and purpose of the disbursement. We recommend that procedures be implemented to ensure that all expenditures are properly supported and verified prior to disbursements of funds.