

AUDIT REPORT
HOLMES COUNTY DISTRICT
SCHOOL BOARD
INTERNAL ACCOUNTS
JUNE 30, 2009

**Audit Report
June 30, 2009
Holmes County District School Board Internal Accounts**

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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, 2009. 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, 2009, 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 27, 2010 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.

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, Monk + Company

January 27, 2010
Gainesville, Florida

Statement of Fiduciary Net Assets
June 30, 2009
Holmes County District School Board Internal Accounts

ASSETS

Cash and Equivalents	\$ 294,395
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LIABILITIES

Assets Held for Others	<u>(294,395)</u>
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NET ASSETS	<u><u>\$ -</u></u>
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See accompanying notes.

Notes to Financial Statement
June 30, 2009
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, 2009**

<u>Activity</u>	<u>Cash Balances July 1, 2008</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Net Transfers</u>	<u>Cash Balances June 30, 2009</u>
Music	\$ 162	\$ 373	\$ 354	\$ -	\$ 181
Classes, Clubs and Departments					
Annual	3,290	4,932	3,308	-	4,914
Art	5	200	65	-	140
B.E.S. Boosters	9,892	13,931	10,454	-	13,369
ESE	5	-	-	-	5
Library/Media Center	2,982	5,904	6,054	-	2,832
Physical Education	1,974	5,693	5,191	-	2,476
Reading	13	625	-	-	638
Staff Courtesy	533	524	489	-	568
Lounge/Faculty & Staff	-	225	2,588	4,678	2,315
Success/Store	611	-	525	-	86
Technology	9,428	2,472	-	-	11,900
Total Classes, Clubs and Departments	<u>28,733</u>	<u>34,506</u>	<u>28,674</u>	<u>4,678</u>	<u>39,243</u>
Trust Funds					
Kindergarten	52	4,857	4,905	-	4
First Grade	5	2,802	2,806	-	1
Second Grade	38	1,320	1,237	-	121
Third Grade	90	2,230	2,181	-	139
Fourth Grade	14	7,814	7,722	-	106
Fourth Grade-Signature	142	541	683	-	-
Total Trust Funds	<u>341</u>	<u>19,564</u>	<u>19,534</u>	<u>-</u>	<u>371</u>
General Fund	<u>29,376</u>	<u>27,942</u>	<u>18,975</u>	<u>(4,678)</u>	<u>33,665</u>
TOTAL CASH	<u>\$ 58,612</u>	<u>\$ 82,385</u>	<u>\$ 67,537</u>	<u>\$ -</u>	<u>\$ 73,460</u>
ASSETS HELD FOR OTHERS					<u>\$ 73,460</u>

**BONIFAY MIDDLE SCHOOL INTERNAL FUNDS
SCHEDULE OF ASSETS HELD FOR OTHERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<u>Activity</u>	<u>Cash Balances July 1, 2008</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Net Transfers</u>	<u>Cash Balances June 30, 2009</u>
Athletics	\$ 4,804	\$ 24,985	\$ 24,271	\$ -	\$ 5,518
Classes, Clubs and Departments					
Beta Club	727	20,588	20,172	-	1,143
Cheerleaders	-	74	74	-	-
Class - Fifth Grade	1,911	10,679	8,550	-	4,040
Class - Sixth Grade	896	644	739	-	801
Class - Seventh Grade	958	2,796	2,985	-	769
Class - Eighth Grade	447	3,438	3,120	-	765
F.C.C.L.A.	518	1,958	2,217	-	259
G.A.P.	1,199	3,962	4,681	-	480
Library/Media Center	1,303	3,908	3,564	12	1,659
8th Science	282	-	-	-	282
7th Science	38	-	-	-	38
Store	2,227	1,304	1,701	-	1,830
Tech	156	-	-	-	156
Year Book	1,680	6,862	7,962	-	580
Total Classes, Clubs and Departments	<u>12,342</u>	<u>56,213</u>	<u>55,765</u>	<u>12</u>	<u>12,802</u>
Trust Fund	<u>-</u>	<u>75</u>	<u>75</u>	<u>-</u>	<u>-</u>
General Fund	<u>19,627</u>	<u>17,013</u>	<u>12,626</u>	<u>(12)</u>	<u>24,002</u>
TOTAL CASH	<u>\$ 36,773</u>	<u>\$ 98,286</u>	<u>\$ 92,737</u>	<u>\$ -</u>	<u>\$ 42,322</u>
ASSETS HELD FOR OTHERS					<u>\$ 42,322</u>

**HOLMES COUNTY HIGH SCHOOL INTERNAL FUNDS
SCHEDULE OF ASSETS HELD FOR OTHERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<u>Activity</u>	<u>Cash Balances July 1, 2008</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Net Transfers</u>	<u>Cash Balances June 30, 2009</u>
Athletics					
Baseball	\$ 863	\$ 9,026	\$ 7,550	\$ (2,339)	\$ -
Basketball - Boys	3,212	8,057	6,564	(1,243)	3,462
Basketball - Girls	2,709	2,476	3,056	(677)	1,452
Football	4,360	40,179	35,686	(7,181)	1,672
Football Jackets	400	-	-	(400)	-
Fundraising	(1)	728	221	(242)	264
Golf	(1)	150	149	-	-
Softball	-	15,961	14,991	(970)	-
Volleyball	414	4,496	4,944	34	-
Total Athletics	<u>11,956</u>	<u>81,073</u>	<u>73,161</u>	<u>(13,018)</u>	<u>6,850</u>
Classes, Clubs and Departments					
Alpha Tri-Hi-Y	606	295	386	-	515
Annual	3,417	18,896	21,908	388	793
Art	198	830	716	241	553
Beta Club	1,819	10,749	10,176	(47)	2,345
Bus Mileage	6,397	1,449	21,088	13,263	21
Cheerleaders - Junior	610	14,608	12,936	(375)	1,907
Cheerleaders - Varsity	2,040	11,736	13,279	(496)	1
Class - Junior	2,164	15,180	14,119	(2,400)	825
Class - Senior	763	25,034	27,576	1,780	1
Class - Sophomore	154	144	-	(154)	144
Cookbooks	511	-	39	(472)	-
Drama Club	3,152	10,809	11,021	(563)	2,377
Earth Science	357	56	-	(150)	263
Faculty Fund	306	815	403	(120)	598
Family Consumer	616	-	189	(235)	192
F.B.L.A.	-	10,091	10,539	504	56
Fellowship Christian	349	110	-	-	459
F.C.C.L.A.	217	1,136	507	(24)	822
F.C.C.L.A. - County Council	490	150	150	-	490
F.F.A.	246	2,801	2,157	(706)	184
Food Service Class	43	661	425	-	279
Heartwarmers	4	-	-	-	4
Junior R.O.T.C.	85	6,510	3,632	(544)	2,419
Key Club	498	6,943	6,513	(367)	561
Leadership Team	392	-	-	-	392
Library/Media Center	2,198	739	751	376	2,562
Literacy Fund	136	2,176	2,126	16	202
Mu Alpha Theta	33	240	-	(15)	258
National Honor Society	539	673	857	(265)	90
Photography	134	21	831	800	124
Reading Lab	16	-	-	(16)	-
Senior Class Trip	-	1,925	705	(1,220)	-
Spanish Club	68	616	510	(135)	39
Student Government	337	4,534	4,087	(700)	84
Total Classes, Clubs and Departments	<u>28,895</u>	<u>149,927</u>	<u>167,626</u>	<u>8,364</u>	<u>19,560</u>
Trust Funds					
Teacher Lead Funds	53	-	-	-	53
Scholarship Fund	1,076	439	1,515	-	-
Trust Fund	965	165	1,031	-	99
Total Trust Funds	<u>2,094</u>	<u>604</u>	<u>2,546</u>	<u>-</u>	<u>152</u>
General Fund	<u>3,097</u>	<u>10,481</u>	<u>11,050</u>	<u>4,654</u>	<u>7,182</u>
TOTAL CASH	<u>\$ 46,042</u>	<u>\$ 242,085</u>	<u>\$ 254,383</u>	<u>\$ -</u>	<u>\$ 33,744</u>
ASSETS HELD FOR OTHERS					<u>\$ 33,744</u>

**BETHLEHEM SCHOOL INTERNAL FUNDS
SCHEDULE OF ASSETS HELD FOR OTHERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<u>Activity</u>	<u>Cash Balances July 1, 2008</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Net Transfers</u>	<u>Cash Balances June 30, 2009</u>
Athletics					
Boy's Baseball	\$ 2	\$ 9,211	\$ 8,986	\$ -	\$ 227
Boy's Basketball	3,428	20,080	19,242	-	4,266
Girl's Athletics	830	28,090	26,295	-	2,625
Golf	-	750	748	-	2
Volleyball	-	3,090	2,744	-	346
Total Athletics	<u>4,260</u>	<u>61,221</u>	<u>58,015</u>	<u>-</u>	<u>7,466</u>
Classes, Clubs and Departments					
Business Education	489	866	1,064	-	291
Cheerleaders - Varsity	640	6,489	5,503	-	1,626
Class - Fourth	29	3,237	3,256	-	10
Class - Fifth	234	16,624	15,727	-	1,131
Class - Junior	3,656	6,456	6,455	(3,656)	1
Class - Senior	3	17,417	20,969	3,656	107
Computer Education	4,372	968	779	-	4,561
Culinary Academy	-	7,245	7,233	-	12
Drama Class	5,502	4,109	4,748	-	4,863
Elementary Award	586	1,602	934	-	1,254
Elementary General	978	650	763	-	865
Elementary P.E.	236	210	200	-	246
F.B.L.A.	769	7,622	7,753	-	638
FCAT Spirit	112	-	-	-	112
F.C.C.L.A.	691	10,788	11,477	-	2
FEC	-	180	145	-	35
F.F.A.	4,767	6,383	7,446	-	3,704
Flower Fund	56	-	-	(56)	-
Journalism	113	11,845	9,732	-	2,226
Junior Beta Club	50	351	397	-	4
Key Club	2,292	3,924	2,921	-	3,295
Library/Media Center	1,312	6,144	6,702	-	754
Middle School Fund	13	-	-	-	13
Science Club	1,224	-	1,079	-	145
Senior Beta Club	174	1,666	1,321	-	519
Student Council	157	892	909	-	140
Spanish Department	-	1,852	1,335	-	517
Tech Club	-	675	-	-	675
Teens For Christ	20	-	-	-	20
Vocal Ensemble	88	200	276	-	12
Wildcat Club	47	-	-	-	47
Total Classes, Clubs and Departments	<u>28,610</u>	<u>118,395</u>	<u>119,124</u>	<u>(56)</u>	<u>27,825</u>
Trust Fund					
Trust Fund	4,895	34	100	(4,595)	234
Wes Hencely Scholarship	175	-	-	-	175
Total Trust Fund	<u>5,070</u>	<u>34</u>	<u>100</u>	<u>(4,595)</u>	<u>409</u>
General Fund	<u>15,627</u>	<u>59,724</u>	<u>62,598</u>	<u>4,651</u>	<u>17,404</u>
TOTAL CASH	<u>\$ 53,567</u>	<u>\$ 239,374</u>	<u>\$ 239,837</u>	<u>\$ -</u>	<u>\$ 53,104</u>
ASSETS HELD FOR OTHERS					<u>\$ 53,104</u>

**PONCE DE LEON ELEMENTARY SCHOOL INTERNAL FUNDS
SCHEDULE OF ASSETS HELD FOR OTHERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<u>Activity</u>	<u>Cash Balances July 1, 2008</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Net Transfers</u>	<u>Cash Balances June 30, 2009</u>
Classes, Clubs and Departments					
Art	\$ 179	\$ 2,278	\$ 2,125	\$ 500	\$ 832
Captain's Crew	2,572	11,653	11,855	(945)	1,425
Class - Pre-Kindergarten	17				17
Class - First	1,391	6,893	7,700	176	760
Class - Second	68	2,719	2,414	26	399
Class - Third	(75)	3,584	3,168	181	522
Class - Fourth	350	1,656	1,664	231	573
Class - Fifth	1,595	1,136	1,491	47	1,287
Kindergarten	(18)	2,766	2,546	150	352
Library	1,523	6,615	6,943	-	1,195
P.E. Account	1,655	2,027	1,352	-	2,330
P.T.O.	2,527	13,655	14,453	(431)	1,298
Scholarship	127	-	-	-	127
Store T.L.	1,023	4,963	4,979	-	1,007
Sunshine Fund	187	-	94	-	93
Yearbook	3,290	3,293	3,727	-	2,856
Total Classes, Clubs and Departments	<u>16,411</u>	<u>63,238</u>	<u>64,511</u>	<u>(65)</u>	<u>15,073</u>
Trust Fund					
Trust - Partners in Education	3,465	60	-	-	3,525
Challenger Fund - 5th	728	-	-	-	728
Total Trust Fund	<u>4,193</u>	<u>60</u>	<u>-</u>	<u>-</u>	<u>4,253</u>
General Fund	<u>7,270</u>	<u>8,954</u>	<u>9,487</u>	<u>65</u>	<u>6,802</u>
TOTAL CASH	<u>\$ 27,874</u>	<u>\$ 72,252</u>	<u>\$ 73,998</u>	<u>\$ -</u>	<u>\$ 26,128</u>
ASSETS HELD FOR OTHERS					<u>\$ 26,128</u>

**PONCE DE LEON HIGH SCHOOL INTERNAL FUNDS
SCHEDULE OF ASSETS HELD FOR OTHERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<u>Activity</u>	<u>Cash Balances July 1, 2008</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Net Transfers</u>	<u>Cash Balances June 30, 2009</u>
Athletics					
Athletic/General	\$ 2,587	\$ 2	\$ 1,230	\$ -	\$ 1,359
Baseball	1,505	4,324	9,200	4,620	1,249
Boys Basketball	1,642	23,296	22,861	4,618	6,695
Softball	3,195	10,694	12,899	4,620	5,610
Girls Basketball	4,180	14,742	16,110	4,470	7,282
Track and Field	-	419	187		232
Total Athletics	<u>13,109</u>	<u>53,477</u>	<u>62,487</u>	<u>18,328</u>	<u>22,427</u>
Music	<u>3,718</u>	<u>9,128</u>	<u>9,826</u>	<u>(900)</u>	<u>2,120</u>
Classes, Clubs and Departments:					
Annual Staff	9,111	16,536	22,944	3,900	6,603
Beta Club	121	8,897	12,668	(1,235)	(4,885)
Beta Club - Junior	2,340	2,418	3,076	(150)	1,532
Booster Club	11,351	28,441	12,447	(24,921)	2,424
Booster Club Savings	1,248	-	-	2,498	3,746
Cheerleaders - Junior	1,766	5,199	6,782	1,035	1,218
Cheerleaders - Varsity	1,540	5,370	6,728	959	1,141
Class - Junior	-	11,815	9,304	(40)	2,471
Class - Senior	(267)	25,148	23,783	-	1,098
Drama Department	121	-	-	(121)	-
Elect. Desktop Publ.	168	532	679	-	21
ESE - Jr. High	174	-	100	-	74
Flower Fund/Staff	(47)	717	551	-	119
F.B.L.A.	172	17,025	15,080	(464)	1,653
F.B.L.A. - District II	1,292	1,341	1,550	165	1,248
F.F.A.	2,089	14,821	19,940	1,065	(1,965)
F.F.A. - Junior	1,865	535	2,370	-	30
FCCLA	2,929	35,287	37,810	450	856
Future Educators Club	-	917	270	(240)	407
Library/Media Center	124	4,202	2,628	-	1,698
Pep Club	49	-	-	-	49
Science Club	4,255	1,595	1,012	(150)	4,688
Spanish Club	-	4,205	2,918	(1,287)	-
Store	601	1,280	1,803	-	78
Student Council	1,520	5,102	4,367	(150)	2,105
Youth For Christ	490	216	213	(150)	343
Total Classes, Clubs and Departments	<u>43,012</u>	<u>191,599</u>	<u>189,023</u>	<u>(18,836)</u>	<u>26,752</u>
Trust Fund	<u>1,128</u>	<u>2,343</u>	<u>2,388</u>	<u>-</u>	<u>1,083</u>
General Fund	<u>1,399</u>	<u>5,742</u>	<u>8,463</u>	<u>1,408</u>	<u>86</u>
TOTAL CASH	<u>\$ 62,366</u>	<u>\$ 262,289</u>	<u>\$ 272,187</u>	<u>\$ -</u>	<u>\$ 52,468</u>
ASSETS HELD FOR OTHERS					<u>\$ 52,468</u>

**POPLAR SPRINGS SCHOOL INTERNAL FUNDS
SCHEDULE OF ASSETS HELD FOR OTHERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<u>Activity</u>	<u>Cash Balances July 1, 2008</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Net Transfers</u>	<u>Cash Balances June 30, 2009</u>
Athletics					
Athletics	\$ 5,086	\$ 13,117	\$ 15,683	\$ -	\$ 2,520
Baseball	-	3,394	3,107	(123)	164
Basketball - Boys	-	1,933	1,913	-	20
Basketball - Girls	-	1,031	1,031	-	-
Basketball-Youth	675	16	595	-	96
Softball	243	-	232	-	11
Total Athletics	<u>6,004</u>	<u>19,491</u>	<u>22,561</u>	<u>(123)</u>	<u>2,811</u>
Classes, Clubs and Departments					
Alumni	110	326	34	-	402
Beta Club	31	1,424	1,686	315	84
Beta Club - Junior	195	12,563	11,518	(315)	925
Booster Club	2,992	13,977	16,012	(230)	727
Cheerleaders	82	1,660	1,735	-	7
Cheerleaders - Youth	-	352	352	-	-
Class - Junior	173	3,423	3,376	(173)	47
Class - Senior	434	7,270	6,771	(260)	673
Classroom Book Drive	418	-	408	-	10
Elementary	11	996	844	-	163
F.B.L.A.	406	20	117	-	309
F.C.A.	130	-	-	-	130
F.F.A.	177	6,327	5,135	-	1,369
F.C.C.L.A.	259	194	249	-	204
Field Trips	641	26	38	-	629
Fine Arts	349	786	511	-	624
Fourth Grade	562	1,009	1,284	-	287
Health	84	40	56	-	68
Honors Banquet	30	-	-	-	30
Hospitality Fund	58	1,533	602	(898)	91
Journalism	96	10,786	10,752	200	330
Kindergarten	155	1,357	1,469	-	43
Library/Media Center	68	2,970	3,113	200	125
Memorial	480	-	633	153	-
Playground Equipment	1	-	-	-	1
P.T.O.	71	6,636	4,473	(200)	2,034
Total Classes, Clubs and Departments	<u>8,013</u>	<u>73,675</u>	<u>71,168</u>	<u>(1,208)</u>	<u>9,312</u>
Trust Funds					
Lost Book Account	-	65	-	-	65
General Fund					
General	220	4,744	5,064	1,081	981
Miscellaneous	-	-	250	250	-
Total General Fund	<u>220</u>	<u>4,744</u>	<u>5,314</u>	<u>1,331</u>	<u>981</u>
TOTAL CASH	<u>\$ 14,237</u>	<u>\$ 97,975</u>	<u>\$ 99,043</u>	<u>\$ -</u>	<u>\$ 13,169</u>
ASSETS HELD FOR OTHERS					<u>\$ 13,169</u>



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**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, 2009, and have issued our report thereon dated January 27, 2010. 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 as item 09-1 to be a significant deficiency in internal control over financial reporting.

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 statement 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 statement. 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 statement 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 statement 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 statement.

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.

Davis, Moulton + Company

January 27, 2010
Gainesville, Florida

**Schedule of Findings and Other Matters
For the Year Ended June 30, 2009
Holmes County District School Board Internal Accounts**

MATERIAL WEAKNESS

09-1 ***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

- District-wide it is the standard procedure within Holmes County District School Board to make payments for "Other Compensation" to employees of the district for various additional duties through the internal accounts. 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 several instances 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 that the payment of these additional services be made through the District's payroll department.

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.

**Schedule of Findings and Other Matters
For the Year Ended June 30, 2009
Holmes County District School Board Internal Accounts**

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

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.

Ponce de Leon Elementary School

Cash Receipts

- We noted instances whereby monies were not deposited in a timely manner by the bookkeeper 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.

Bonifay Elementary School, Ponce de Leon High School, Ponce de Leon Elementary School, and Bethlehem School

Cash Receipts

- We noted instances whereby monies were not remitted by teachers/sponsors to the bookkeeper in order to ensure a timely deposit in the bank. In accordance with Chapter 7, Section III 1.4(c) the School should implement procedures to ensure that all cash collections are remitted to the bookkeeper in a timely manner.

Bonifay Elementary School, Bonifay Middle School, and Bethlehem School

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 High School, and Poplar Springs School

Cash Disbursements

- We noted several exceptions whereby there was insufficient supporting documentation or 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.

**Schedule of Findings and Other Matters
For the Year Ended June 30, 2009
Holmes County District School Board Internal Accounts**

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.

Ponce de Leon Elementary School and Bethlehem School

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 a property item 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.