

**HOLMES COUNTY  
DISTRICT SCHOOL BOARD  
SCHOOL INTERNAL FUNDS**

INDEPENDENT AUDITOR'S REPORT  
AND MANAGEMENT LETTER

*for the fiscal year ended JUNE 30, 2014*

***King & Walker, CPAs, PL***

---

*Certified Public Accountants*

**THIS PAGE IS INTENTIONALLY BLANK.**

**HOLMES COUNTY DISTRICT SCHOOL BOARD –  
SCHOOL INTERNAL FUNDS**

***TABLE OF CONTENTS***

	<b>PAGE <u>NO.</u></b>
INDEPENDENT AUDITOR’S REPORT	1
STATEMENT OF FIDUCIARY NET POSITION	3
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES	4
NOTES TO FINANCIAL STATEMENTS	5
SUPPLEMENTARY INFORMATION	
Combining Schedule of Fiduciary Net Position by School	6
Combining Schedule of Changes in Internal Account Balances by School	7
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 <i>GOVERNMENTAL AUDITING STANDARDS</i>	8
MANAGEMENT LETTER	10

## **Independent Auditor's Report**

To The Board of Directors  
Holmes County District School Board

### **Report on the Financial Statements**

We have audited the accompanying combining statements of fiduciary net position and statement of fiduciary assets and liabilities of the Holmes County District School Board - School Internal Funds ("District") as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which comprise the District's School Internal 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 accounting principles generally accepted in the United States of America; this includes 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 opinions 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 *Governmental 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 District'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 District'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 respective financial position of the Holmes County District School Board - School Internal Funds as of June 30, 2014, in conformity with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 1, the accompanying financial statements referred to above present only the District's School Internal Funds and do not purport to, and do not, present fairly the financial position of District as of June 30, 2014 and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Supplementary Information***

The accompanying combining schedule of fiduciary net position by School and the combining schedule of changes in internal account balances by School are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2014 on our consideration of the Holmes County District School Board - School Internal Funds' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Holmes County District School Board - School Internal Funds' internal control over financial reporting and compliance.

Respectfully submitted,



December 11, 2014  
Tampa, Florida

**HOLMES COUNTY DISTRICT SCHOOL BOARD  
SCHOOL INTERNAL FUNDS**

**STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2014**

**ASSETS**

Cash	\$ 334,948
<b>TOTAL ASSETS</b>	<b>\$ 334,948</b>

**LIABILITIES**

Deposits Payable to Others	\$ 334,948
<b>TOTAL LIABILITIES</b>	<b>\$ 334,948</b>

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

**HOLMES COUNTY DISTRICT SCHOOL BOARD  
SCHOOL INTERNAL FUNDS**

**STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
JUNE 30, 2014**

	<u>7/1/2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>6/30/2014</u>
<b>ASSETS</b>				
Cash	<u>\$ 368,220</u>	<u>\$ 1,134,450</u>	<u>\$ 1,167,722</u>	<u>\$ 334,948</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 368,220</u></u>	<u><u>\$ 1,134,450</u></u>	<u><u>\$ 1,167,722</u></u>	<u><u>\$ 334,948</u></u>
<b>LIABILITIES</b>				
Deposits Payable to Others	<u>\$ 368,220</u>	<u>\$ 1,134,450</u>	<u>\$ 1,167,722</u>	<u>\$ 334,948</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 368,220</u></u>	<u><u>\$ 1,134,450</u></u>	<u><u>\$ 1,167,722</u></u>	<u><u>\$ 334,948</u></u>

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

**HOLMES COUNTY DISTRICT SCHOOL BOARD –  
SCHOOL INTERNAL FUNDS**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

➤ **Reporting Entity**

The Holmes County District School Board - School Internal Funds are maintained under the authority of the Holmes County District School Board as provided by Section 1011.07 Florida Statutes.

➤ **Basis of Presentation**

The Holmes County District School Board - School Internal Funds (Internal Funds) financial statements are comprised of the statement of fiduciary net position and statement of fiduciary assets and liabilities. The financial statements are prepared in accordance with generally accepted accounting principles applicable to governmental units, as prescribed by the Government Accounting Standards Board.

The Internal Funds are accounted for as an agency fund. The Internal Funds are used to administer moneys collected at the schools in connection with school, student athletic, class, and club activities.

➤ **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

In the Internal Funds accounted for as agency fund, the measurement focus is custodial, because the fund is not involved with the performance of government activities. An agency fund has no revenues or expenditures and therefore, no net asset balance or need to measure the results of operations for a period.

➤ **Cash**

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

➤ **Subsequent Events**

Management has evaluated all events subsequent to the balance sheet date and through the report date, which is the date these financial statements were available to be issued. Management determined there are no subsequent events which require disclosure.

**SUPPLEMENTARY INFORMATION**

**HOLMES COUNTY DISTRICT SCHOOL BOARD - SCHOOL INTERNAL FUNDS**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**JUNE 30, 2014**

<u>School</u>	<u>ASSETS</u>		<u>LIABILITIES</u>	
	Cash in Bank	TOTAL ASSETS	Deposits Payable to Others	TOTAL LIABILITIES
Bethlehem School	\$ 55,920	\$ 55,920	\$ 55,920	\$ 55,920
Bonifay Elementary	95,426	95,426	95,426	95,426
Bonifay Middle	34,177	34,177	34,177	34,177
Holmes County High	75,191	75,191	75,191	75,191
Ponce DeLeon Elementary	17,284	17,284	17,284	17,284
Ponce DeLeon High	6,004	6,004	6,004	6,004
Poplar Springs School	50,946	50,946	50,946	50,946
<b>TOTAL</b>	<b><u>\$ 334,948</u></b>	<b><u>\$ 334,948</u></b>	<b><u>\$ 334,948</u></b>	<b><u>\$ 334,948</u></b>

See Independent Auditor's Report

**HOLMES COUNTY DISTRICT SCHOOL BOARD  
SCHOOL INTERNAL FUNDS**

**COMBINING SCHEDULE OF CHANGES IN INTERNAL ACCOUNT BALANCES  
JUNE 30, 2014**

<u>School</u>	<u>Beginning Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Balance</u>
Bethlehem School	\$ 52,372	\$ 249,471	\$ 245,923	\$ 55,920
Bonifay Elementary	101,847	77,310	83,731	95,426
Bonifay Middle	33,954	128,059	127,836	34,177
Holmes County High	78,034	217,287	220,130	75,191
Ponce DeLeon Elementary	26,170	58,438	67,324	17,284
Ponce DeLeon High	14,654	170,016	178,666	6,004
Poplar Springs School	61,189	233,869	244,112	50,946
<b>TOTAL</b>	<b><u>\$ 368,220</u></b>	<b><u>\$ 1,134,450</u></b>	<b><u>\$ 1,167,722</u></b>	<b><u>\$ 334,948</u></b>

See Independent Auditor's Report

Members:  
Florida Institute of CPAs  
American Institute of CPAs  
Government Audit Quality Center

709 W. Azelee St.  
Tampa, FL 33606  
office (813) 892-4274 fax (813) 253-0951  
www.KingandWalker.com

---

**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***

To the Board of Directors  
Holmes County District School Board:

We have audited, 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, the accompanying combining statements of fiduciary net position of the Holmes County District School Board - School Internal Funds ("District") as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated December 11, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's 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 misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control that we consider to be a significant deficiency in internal control, described in the accompanying Management Letter on page 11.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and other guidelines, 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*.

We noted certain matters that we reported to the District in a separate Management Letter dated December 11, 2014.

## **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 result of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, flowing style.

December 11, 2014  
Tampa, Florida

Members:  
Florida Institute of CPAs  
American Institute of CPAs  
Government Audit Quality Center

709 W. Azelee St.  
Tampa, FL 33606  
office (813) 892-4274 fax (813) 253-0951  
www.KingandWalker.com

---

## Management Letter

To the Board of Directors  
Holmes County District School Board:

In planning and performing our audit of the financial statements of the District School Board of Holmes County, Florida (“District”), School Internal Funds as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the District’s internal control over financial reporting (“internal control”) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s 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 District’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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. We did identify a deficiency in internal control that we consider to be a significant deficiency in internal control as described on page 11.

During our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The following pages that accompany this letter summarize our comments and suggestions concerning those matters.

This communication is intended solely for the information and use of management, the governing body of the District, others within the District, and applicable federal and state agencies, and is not intended to be, and should not be, used by anyone other than those specified parties.

Respectfully submitted,



December 11, 2014  
Tampa, Florida

### **All Schools:**

During our audit, we identified a control deficiency in internal control over financial reporting that exists at each school in the District that we consider a *significant deficiency*. As noted in the prior audits and again in the current audit, our review disclosed that the bookkeeper at each school has the primary responsibility for most of the accounting duties. As a result of this lack of segregation of duties, internal controls are weakened, increasing the risk that a misappropriation of the school's assets could occur and not be detected in a timely manner. There are compensating controls that bolster the effect of the controls in place over financial reporting, such as the monthly review and approval of the bank statements, reconciliations, and financial reports by the principal. However, the District needs to be aware that this condition exists and when practical should consider adding personnel, and reassigning some of the key accounting duties in order to provide an adequate segregation of duties. We recommend that the bank accounts be reconciled by a person other than the person charged with the receipt and disbursement of funds.

### **Bethlehem School:**

- As noted in the two previous audits, and again in the current audit, pre-numbered ticket inventories were not properly maintained and were without documentation as to the beginning and ending ticket numbers sold for School events. Beginning and ending ticket numbers were not documented and without an independently controlled issuance of the total range of ticket numbers, therefore we could not determine if collections were properly accounted for. In addition, we noted the School did not maintain a complete ticket log which shows the beginning and ending ticket numbers issued, sold, and returned at events. By not providing a proper accounting of pre-printed tickets, School personnel cannot be assured that cash collections and deposits from these events are complete and accurate.
- Proper internal control over purchases requires that evidence of the receipt of goods or services be obtained before an invoice can be authorized for payment and that the vendor invoice be properly cancelled after payment is made. As noted in the two previous audits, and again in the current audit, our audit disclosed ten instances where vendor invoices were paid without obtaining documentation evidencing the receipt of goods or services prior to payment and/or invoices were not stamped paid or otherwise cancelled subsequent to payment.

### **Bonifay Elementary:**

- None.

### **Bonifay Middle:**

- As noted in the two previous audits, and again in the current audit, pre-numbered ticket inventories were not properly maintained and were without documentation as to the beginning and ending ticket numbers sold for School events. Beginning and ending ticket numbers were not documented and without an independently controlled issuance of the total range of ticket numbers, therefore we could not determine if collections were properly accounted for. In addition, we noted the School did not maintain a complete ticket log which shows the beginning and ending ticket numbers issued, sold, and

returned at events. By not providing a proper accounting of pre-printed tickets, School personnel cannot be assured that cash collections and deposits from these events are complete and accurate.

**Holmes County High:**

- As noted in the two previous audits, and again in the current audit, pre-numbered ticket inventories were not properly maintained and were without documentation as to the beginning and ending ticket numbers sold for School events. Beginning and ending ticket numbers were not documented and without an independently controlled issuance of the total range of ticket numbers, therefore we could not determine if collections were properly accounted for. In addition, we noted the School did not maintain a complete ticket log which shows the beginning and ending ticket numbers issued, sold, and returned at events. By not providing a proper accounting of pre-printed tickets, School personnel cannot be assured that cash collections and deposits from these events are complete and accurate.
- Proper internal control over purchases requires that evidence of the receipt of goods or services be obtained before an invoice can be authorized for payment and that the vendor invoice be properly cancelled after payment is made. As noted in the two previous audits, and again in the current audit, our audit disclosed ten instances where vendor invoices were paid without obtaining documentation evidencing the receipt of goods or services prior to payment and/or invoices were not stamped paid or otherwise cancelled subsequent to payment.

**Ponce DeLeon Elementary:**

- None.

**Ponce DeLeon High:**

- As noted in the two previous audits, and again in the current audit, pre-numbered ticket inventories were not properly maintained and were without documentation as to the beginning and ending ticket numbers sold for School events. Beginning and ending ticket numbers were not documented and without an independently controlled issuance of the total range of ticket numbers, therefore we could not determine if collections were properly accounted for. In addition, we noted the School did not maintain a complete ticket log which shows the beginning and ending ticket numbers issued, sold, and returned at events. By not providing a proper accounting of pre-printed tickets, School personnel cannot be assured that cash collections and deposits from these events are complete and accurate.
- A ticket sales report was not completed for an admissions event in which tickets were sold. A ticket sales report should be completed for each admission event and signed by the ticket manager or activity sponsor and the appropriate administrator in order to properly account for tickets sold and money collected.
- Proper internal control over purchases requires that evidence of the receipt of goods or services be obtained before an invoice can be authorized for payment and that the vendor invoice be properly cancelled after payment is made. As noted in the two previous audits, and again in the current audit, our audit disclosed ten instances where vendor invoices were paid without obtaining documentation evidencing the receipt of goods or

services prior to payment and/or invoices were not stamped paid or otherwise cancelled subsequent to payment.

- As noted in the two previous audits, and again in the current audit, instances were noted whereby individual activity accounts held negative balances at fiscal year end. We noted 11 clubs or projects that had a negative cash balance at June 30, 2014 ranging from \$32.07 to \$8,867.70. Chapter 7 Section I (10) of the Red Book states that purchases from internal accounts shall not exceed the resources of the applicable student activity/project account. While the individual activity accounts held negative balances, sufficient funds were available in the general fund to cover these deficits.

**Poplar Springs School:**

- As noted in the two previous audits, and again in the current audit, pre-numbered ticket inventories were not properly maintained and were without documentation as to the beginning and ending ticket numbers sold for School events. Beginning and ending ticket numbers were not documented and without an independently controlled issuance of the total range of ticket numbers, therefore we could not determine if collections were properly accounted for. In addition, we noted the School did not maintain a complete ticket log which shows the beginning and ending ticket numbers issued, sold, and returned at events. By not providing a proper accounting of pre-printed tickets, School personnel cannot be assured that cash collections and deposits from these events are complete and accurate.
- A ticket sales report was not completed for an admissions event in which tickets were sold. A ticket sales report should be completed for each admission event and signed by the ticket manager or activity sponsor and the appropriate administrator in order to properly account for tickets sold and money collected.