

# School District of Flagler County



## School Board Members

Sue Dickinson, Chair Person

Colleen Conklin

Andy Dance

John Fischer

Trevor Tucker

## Superintendent of Schools

Janet Valentine

## *District School Internal Activity Funds*

*Financial Statements  
And  
Independent Accountants' Report*

*June 30, 2012*

This Page Intentionally Left Blank.

**TABLE OF CONTENTS**  
**DISTRICT SCHOOL INTERNAL ACTIVITY FUNDS**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
**FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANTS' REPORT**  
June 30, 2012

---

**INTRODUCTORY SECTION**

Title Page .....	i
Table of Contents .....	ii

**FINANCIAL SECTION**

Combined Financial Statements:	
Independent Accountants' Report .....	1
Statement of Fiduciary Net Assets - All District Schools .....	Statement 1 3
Statement of Changes in Fiduciary Net Assets - All District Schools .....	Statement 2 4
Notes to the Financial Statements .....	5
Supplemental Information:	
Combining Schedule of Changes in Fiduciary Net Assets-All	
District Schools .....	Schedule 1 8
Schedules of Changes in Fiduciary Net Assets:	
Adult & Community Education, Palm Coast, FL .....	Schedule 2 9
Belle Terre Elementary School, Palm Coast, FL .....	Schedule 3 10
Buddy Taylor Middle School, Palm Coast, FL .....	Schedule 4 11
Bunnell Elementary School, Bunnell, FL .....	Schedule 5 12
Exceptional Student Education (ESE), Bunnell, FL .....	Schedule 6 13
Flagler Palm Coast High School, Palm Coast, FL .....	Schedule 7 14
Indian Trails K-8 School, Palm Coast, FL .....	Schedule 8 15
Matanzas High School, Palm Coast, FL .....	Schedule 9 16
Old Kings Elementary School, Palm Coast, FL .....	Schedule 10 17
Pathways Academy, Palm Coast, FL .....	Schedule 11 18
Rymfire Elementary School, Palm Coast, FL .....	Schedule 12 19
Student Services, Bunnell, FL .....	Schedule 13 20
Wadsworth Elementary School, Palm Coast, FL .....	Schedule 14 21

**COMPLIANCE SECTION**

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	22
Schedule of Findings and Responses .....	24

This Page Intentionally Left Blank.

***INDEPENDENT ACCOUNTANTS' REPORT***

This Page Intentionally Left Blank.

# BM&C

**BRENT MILLIKAN & COMPANY, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

## **INDEPENDENT AUDITORS' REPORT**

The Honorable Chair Person, District School  
Board Members and Superintendent  
School District of Flagler County, Florida  
Bunnell, Florida

We have audited the accompanying statement of fiduciary net assets of the District School Internal Activity Funds of the School District of Flagler County, Florida as of and for the year ended June 30, 2012, and the related statement of changes in fiduciary net assets, as listed in the table of contents. These financial statements are the responsibility of the School District of Flagler County, Florida's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 described more fully in Note 1, the accompanying financial statements present only the District School Internal Activity Funds of the School District of Flagler County, Florida, and do not purport to, and do not, present fairly the financial position of the School District of Flagler County, Florida, as of June 30, 2012 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net assets and the changes in fiduciary net assets of the District School Internal Activity Funds of the School District of Flagler County, Florida, as of and for the year ended June 30, 2012 on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 29, 2012 on our consideration of the School District of Flagler County, Florida's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, 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. 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.

The Honorable Chair Person, District School  
Board Members and Superintendent  
School District of Flagler County, Florida  
Page 2 of 2

Our audit was conducted for the purpose of forming an opinion on the statement of fiduciary net assets and the statement of changes in fiduciary net assets of the District School Internal Activity Funds of the School District of Flagler County, Florida, taken as a whole. The accompanying combined and individual district school schedules of changes in fiduciary net assets of the District School Internal Activity Funds listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the District School Internal Activity Funds of the School District of Flagler County, Florida. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Brent Milliken & Co., P.A.*

October 29, 2012



***FINANCIAL SECTION***

This Page Intentionally Left Blank.

**DISTRICT SCHOOL INTERNAL ACTIVITY FUNDS**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
STATEMENT OF FIDUCIARY NET ASSETS -  
ALL DISTRICT SCHOOLS  
June 30, 2012

---

**Statement 1**

Assets:

Cash and Cash Equivalents:

Demand Deposits..... \$ 1,322,273

Total Assets..... \$ 1,322,273

Liabilities and Net Assets:

Liabilities:

Due to student/teacher/parent groups..... \$ 1,322,273

Total Liabilities..... 1,322,273

Net Assets..... -

Total Liabilities and Net Assets..... \$ 1,322,273

The accompanying notes are an integral part of the financial statements.

**DISTRICT SCHOOL INTERNAL ACTIVITY FUNDS**  
**SCHOOL DISTRICT OF FLAGER COUNTY, FLORIDA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -**  
**ALL DISTRICT SCHOOLS**  
**For the Fiscal Year Ended June 30, 2012**

**Statement 2**

	July 1, 2011	Additions	Deletions	June 30, 2012
<b>Assets:</b>				
Cash and cash equivalents.....	\$ 1,193,469	2,219,732	2,090,928	1,322,273
Total assets.....	1,193,469	2,219,732	2,090,928	1,322,273
<b>Liabilities and Net Assets:</b>				
<b>Liabilities:</b>				
Due to student/teacher/parent groups.....	1,193,469	2,219,732	2,090,928	1,322,273
Total liabilities.....	1,193,469	2,219,732	2,090,928	1,322,273
Net Assets.....	\$ -	-	-	-

The accompanying notes are an integral part of the financial statements.

***NOTES TO THE FINANCIAL STATEMENTS***

This Page Intentionally Left Blank.

**DISTRICT SCHOOL INTERNAL ACTIVITY FUNDS**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2012

---

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the District School Internal Activity Funds of the School District of Flagler County, Florida, have been prepared in conformance with generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body for promulgating governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies:

**Reporting Entity**

The School District of Flagler County (the "District") was established pursuant to Section 230.01, Florida Statutes, to provide public educational services for the residents of Flagler County, Florida. Those services are provided primarily to students attending kindergarten through high school, but also to adults seeking vocational training.

The District operates 13 schools and education centers which maintain a separate district school internal activity fund established pursuant to District policies and State statutes. The internal activity funds of the District schools and education centers include monies collected and expended within a school which are used for financing the normal program of school activities not otherwise financed by District funds; for providing necessary and proper services and materials for school activities; and for other purposes consistent with the school program as established and approved by the District school board. The District school internal activity funds are the responsibility of the District school board, which is also responsible for developing the necessary systems to ensure that all funds are properly accounted for through use of generally recognized accounting procedures and effectively administered through adherence to internal funds policies of the school board, applicable Florida Statutes, and the provisions of "Financial and Program Cost Accounting and Reporting for Florida Schools" developed by the Florida Department of Education.

Based upon policies adopted by the District, funds collected in connection with summer program activities; funds derived from school athletic events; gifts and contributions made by band or athletic booster clubs, civic organizations, parent-teacher organizations, and commercial agencies; and all other similar monies, properties, or benefits may be included in internal funds of the school. The cash funds included in the internal activity funds are the property of the various departments, clubs, and projects, and not that of the District. However, once these funds are collected by District personnel and subsequently deposited into the respective internal activity fund bank accounts, the cash receipts and subsequent disposition of all funds must comply with the guidelines and requirements of the Florida Department of Education and the District.

**DISTRICT SCHOOL INTERNAL ACTIVITY FUNDS**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS - (Continued)  
For the Fiscal Year Ended June 30, 2012

---

The internal activity funds of the following schools and education centers are included herein:

Adult & Community Education, Palm Coast, FL  
Belle Terre Elementary School, Palm Coast, FL  
Buddy Taylor Middle School, Palm Coast, FL  
Bunnell Elementary School, Bunnell, FL  
Exceptional Student Education (ESE), Bunnell, FL  
Flagler Palm Coast High School, Palm Coast, FL  
Indian Trails K-8 School, Palm Coast, FL  
Matanzas High School, Palm Coast, FL  
Old Kings Elementary School, Palm Coast, FL  
Pathways Academy, Palm Coast, FL  
Rymfire Elementary School, Palm Coast, FL  
Student Services, Bunnell, FL  
Wadsworth Elementary School, Palm Coast, FL

The cash transactions and balances relating to petty cash and school lunch funds are not included in the accompanying financial statements because they are accounted for by the School District of Flagler County, Florida.

**Basis of Presentation**

In accordance with Florida Statutes, the District's financial records account for its student activity accounts as an agency fund. This fund is composed of separate sub-funds to account for each District school's internal activity fund account. The operations of each sub-fund are accounted for with a separate set of self-balancing accounts that comprise each school's assets, liabilities and net assets. The statement of changes in fiduciary net assets is prepared on the accrual basis accounting.

**Fixed Assets**

All qualifying fixed assets acquired with the proceeds of internal activity funds are reported as cash disbursements in the statements of changes in cash balances arising from cash transactions. All personal property acquired with internal activity funds becomes the property of the School District of Flagler County, Florida.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

*Interest Rate Risk.* Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. The District shall endeavor to mitigate the risk of loss due to interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity; and by investing operating funds primarily in shorter-term securities.

*Credit Risk.* Credit risk is the risk of loss due to the failure of the security issuer or backer. The District shall endeavor to mitigate the risk of loss due to credit risk by limiting investments to the safest types of securities; pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which an entity will do business; and by diversifying the investment portfolio so that potential losses on individual securities will be minimized. The District's Investment Policy (Fiscal Management Policy Number 719) limits its investments to



**DISTRICT SCHOOL INTERNAL ACTIVITY FUNDS**  
**SCHOOL DISTRICT OF FLAGER COUNTY, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS - (Continued)  
For the Fiscal Year Ended June 30, 2012

---

1) bids from qualified depositories; 2) financial deposit instruments insured by the Federal Deposit Insurance Corporation (FDIC); 3) time deposits; 4) securities of the United States Government; 5) state managed cooperative investment plans, or 6) other forms of authorized investments. Should the District choose to enter into third-party custodial agreements, master purchase agreements or security purchase agreements, it shall do so in accordance with section 218.415 Florida Statutes. The District does not invest in derivative products.

*Custodial Credit Risk.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2012, the District's cash deposits of \$1,397,227 were exposed to custodial credit risk in institutional accounts collateralized in accordance with state collateralization requirements. These deposits exceeded FDIC coverage in the amount of \$53,036 at year end.

Pursuant to the applicable provisions of Chapter 280, Florida Statutes, *The Florida Security for Public Deposits Act* ("the Act"), the State of Florida, Department of Financial Services, Division of Treasury, Bureau of Collateral Management have established specific requirements relative to the security and collateralization for public deposits. Accordingly, banks qualifying as a public depository in the State of Florida must adopt the necessary procedures outlined in these statutes and meet all of the requirements of this chapter to be designated by the State's Chief Financial Officer as eligible to receive deposits from qualifying depositors. Collateral having a market value equal to 50% of the average daily balance for each month of all public deposits in excess of any applicable depository insurance is required to be pledged or deposited with the State's Chief Financial Officer to secure such deposits. Additional collateral, up to a maximum of 125%, may be required if deemed necessary under the conditions set forth in the Act. Securities eligible to be pledged as collateral are generally limited to obligations of the United States government, and any state thereof, and are held in the name of the State Chief Financial Officer's office. Compliance with the provisions of Chapter 280, Florida Statutes, is monitored by a Qualified Public Depository Oversight Board with members appointed by the State Chief Financial Officer.

This Page Intentionally Left Blank.

***SUPPLEMENTAL INFORMATION***

This Page Intentionally Left Blank.

**DISTRICT SCHOOL INTERNAL ACTIVITY FUNDS**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS -  
ALL DISTRICT SCHOOLS  
For the Fiscal Year Ended June 30, 2012

**Schedule 1**

	July 1, 2011	Additions	Deductions	June 30, 2012
<b>Assets:</b>				
Cash and Cash Equivalents:				
Adult & Community Education.....	\$ 154,639	211,335	168,031	197,943
Belle Terre Elementary School.....	77,554	121,337	141,743	57,148
Buddy Taylor Middle School.....	72,508	102,272	117,332	57,448
Bunnell Elementary School.....	28,308	64,835	62,585	30,558
Exceptional Student Education (ESE).....	2,648	2,420	815	4,253
Flagler Palm Coast High School.....	249,994	773,607	746,898	276,703
Indian Trails K-8 School.....	147,864	170,343	156,968	161,239
Matanzas High School.....	195,048	458,606	427,170	226,484
Old Kings Elementary School.....	91,632	106,304	83,388	114,548
Pathways Academy.....	2,718	4,991	3,543	4,166
Rymfire Elementary School.....	87,199	76,858	78,498	85,559
Student Services.....	2,988	31,554	20,012	14,530
Wadsworth Elementary School.....	80,369	95,270	83,945	91,694
Total assets.....	<u>1,193,469</u>	<u>2,219,732</u>	<u>2,090,928</u>	<u>1,322,273</u>
<b>Liabilities and Net Assets:</b>				
Liabilities:				
Due to student/teacher/parent groups.....	<u>1,193,469</u>	<u>2,219,732</u>	<u>2,090,928</u>	<u>1,322,273</u>
Net Assets.....	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

**DISTRICT SCHOOL INTERNAL ACTIVITY FUNDS**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
**SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS -**  
**ADULT COMMUNITY EDUCATION**  
For the Fiscal Year Ended June 30, 2012

**Schedule 2**

	July 1, 2011	Additions	Deductions	Interfund Transfers In (Out)	June 30, 2012
<b>Assets:</b>					
<b>Cash and Cash Equivalents:</b>					
Classes.....	\$ 10,829	41,042	22,736	-	29,135
Trusts.....	22,993	52,753	40,277	-	35,469
General.....	<u>120,817</u>	<u>117,540</u>	<u>105,018</u>	<u>-</u>	<u>133,339</u>
Total assets.....	<u>154,639</u>	<u>211,335</u>	<u>168,031</u>	<u>-</u>	<u>197,943</u>
<b>Liabilities and Net Assets:</b>					
<b>Liabilities:</b>					
Due to internal accounts.....	<u>154,639</u>	<u>211,335</u>	<u>168,031</u>	<u>-</u>	<u>197,943</u>
Net Assets.....	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**DISTRICT SCHOOL INTERNAL ACTIVITY FUNDS**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
**SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS -**  
**BELLE TERRE ELEMENTARY SCHOOL**  
For the Fiscal Year Ended June 30, 2012

**Schedule 3**

	July 1, 2011	Additions	Deductions	Interfund Transfers In (Out)	June 30, 2012
<b>Assets:</b>					
<b>Cash and Cash Equivalents:</b>					
Athletics.....	\$ 2,600	1,974	2,913	(310)	1,351
Music.....	427	1,645	1,703	155	524
Classes.....	2,919	1,615	4,240	1,572	1,866
Clubs.....	7,699	15,292	19,322	(331)	3,338
Departments.....	3,294	15,040	15,113	750	3,971
Trusts.....	23,637	59,632	63,241	44	20,072
General.....	<u>36,978</u>	<u>26,139</u>	<u>35,211</u>	<u>(1,880)</u>	<u>26,026</u>
Total assets.....	<u>77,554</u>	<u>121,337</u>	<u>141,743</u>	<u>-</u>	<u>57,148</u>
<b>Liabilities and Net Assets:</b>					
<b>Liabilities:</b>					
Due to internal accounts.....	<u>77,554</u>	<u>121,337</u>	<u>141,743</u>	<u>-</u>	<u>57,148</u>
Net Assets.....	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**DISTRICT SCHOOL INTERNAL ACTIVITY FUNDS**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
**SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS -**  
**BUDDY TAYLOR MIDDLE SCHOOL**  
For the Fiscal Year Ended June 30, 2012

**Schedule 4**

	July 1, 2011	Additions	Deductions	Interfund Transfers In (Out)	June 30, 2012
<b>Assets:</b>					
<b>Cash and Cash Equivalents:</b>					
Music.....	\$ 5,707	27,707	27,110	-	6,304
Clubs.....	5,721	10,165	7,899	-	7,987
Departments.....	9,373	18,678	18,009	-	10,042
Trusts.....	20,637	35,384	50,095	-	5,926
General.....	<u>31,070</u>	<u>10,338</u>	<u>14,219</u>	<u>-</u>	<u>27,189</u>
Total assets.....	<u>72,508</u>	<u>102,272</u>	<u>117,332</u>	<u>-</u>	<u>57,448</u>
<b>Liabilities and Net Assets:</b>					
<b>Liabilities:</b>					
Due to internal accounts.....	<u>72,508</u>	<u>102,272</u>	<u>117,332</u>	<u>-</u>	<u>57,448</u>
Net Assets.....	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



**DISTRICT SCHOOL INTERNAL ACTIVITY FUNDS**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
**SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS -**  
**BUNNELL ELEMENTARY SCHOOL**  
For the Fiscal Year Ended June 30, 2012

**Schedule 5**

	July 1, 2011	Additions	Deductions	Interfund Transfers In (Out)	June 30, 2012
<b>Assets:</b>					
<b>Cash and Cash Equivalents:</b>					
Athletics.....	\$ 280	-	-	-	280
Music.....	1,673	245	1,864	-	54
Classes.....	1,064	1,921	311	-	2,674
Clubs.....	-	6,896	4,838	-	2,058
Departments.....	963	1,135	571	-	1,527
Trusts.....	10,013	31,324	33,230	(400)	7,707
General.....	<u>14,315</u>	<u>23,314</u>	<u>21,771</u>	<u>400</u>	<u>16,258</u>
Total assets.....	<u>28,308</u>	<u>64,835</u>	<u>62,585</u>	<u>-</u>	<u>30,558</u>
<b>Liabilities and Net Assets:</b>					
<b>Liabilities:</b>					
Due to internal accounts.....	<u>28,308</u>	<u>64,835</u>	<u>62,585</u>	<u>-</u>	<u>30,558</u>
Net Assets.....	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**DISTRICT SCHOOL INTERNAL ACTIVITY FUNDS**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
**SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS -**  
**EXCEPTIONAL STUDENT EDUCATION (ESE)**  
For the Fiscal Year Ended June 30, 2012

**Schedule 6**

	July 1, 2011	Additions	Deductions	Interfund Transfers In (Out)	June 30, 2012
<b>Assets:</b>					
Cash and Cash Equivalents:					
Trusts.....	\$ 2,648	2,420	815	-	4,253
Total assets.....	2,648	2,420	815	-	4,253
<b>Liabilities and Net Assets:</b>					
Liabilities:					
Due to internal accounts.....	2,648	2,420	815	-	4,253
Net Assets.....	\$ -	-	-	-	-

**DISTRICT SCHOOL INTERNAL ACTIVITY FUNDS**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
**SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS -**  
**FLAGLER PALM COAST HIGH SCHOOL**  
For the Fiscal Year Ended June 30, 2012

**Schedule 7**

	July 1, 2011	Additions	Deductions	Interfund Transfers In (Out)	June 30, 2012
<b>Assets:</b>					
<b>Cash and Cash Equivalents:</b>					
Athletics.....	\$ 67,083	325,728	312,849	(7,871)	72,091
Music.....	12,331	31,264	33,178	(263)	10,154
Classes.....	12,427	14,245	14,570	(316)	11,786
Clubs.....	41,819	89,066	87,505	1,532	44,912
Departments.....	13,282	15,946	18,089	554	11,693
Trusts.....	75,554	209,129	210,214	4,170	78,639
General.....	<u>27,498</u>	<u>88,229</u>	<u>70,493</u>	<u>2,194</u>	<u>47,428</u>
Total assets.....	<u>249,994</u>	<u>773,607</u>	<u>746,898</u>	<u>-</u>	<u>276,703</u>
<b>Liabilities and Net Assets:</b>					
<b>Liabilities:</b>					
Due to internal accounts.....	<u>249,994</u>	<u>773,607</u>	<u>746,898</u>	<u>-</u>	<u>276,703</u>
Net Assets.....	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**DISTRICT SCHOOL INTERNAL ACTIVITY FUNDS**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
**SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS -**  
**INDIAN TRAILS K-8 SCHOOL**  
For the Fiscal Year Ended June 30, 2012

**Schedule 8**

	July 1, 2011	Additions	Deductions	Interfund Transfers In (Out)	June 30, 2012
<b>Assets:</b>					
<b>Cash and Cash Equivalents:</b>					
Athletics.....	\$ 11,997	11,812	12,698	(600)	10,511
Music.....	9,593	20,868	13,536	416	17,341
Classes.....	18,324	52,397	49,067	(337)	21,317
Clubs.....	1,831	1,699	1,798	(6)	1,726
Departments.....	19,079	15,293	17,428	65	17,009
Trusts.....	2,183	24,880	22,734	(1,147)	3,182
General.....	<u>84,857</u>	<u>43,394</u>	<u>39,707</u>	<u>1,609</u>	<u>90,153</u>
Total assets.....	<u>147,864</u>	<u>170,343</u>	<u>156,968</u>	<u>-</u>	<u>161,239</u>
<b>Liabilities and Net Assets:</b>					
<b>Liabilities:</b>					
Due to internal accounts.....	<u>147,864</u>	<u>170,343</u>	<u>156,968</u>	<u>-</u>	<u>161,239</u>
Net Assets.....	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**DISTRICT SCHOOL INTERNAL ACTIVITY FUNDS**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
**SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS -**  
**MATANZAS HIGH SCHOOL**  
For the Fiscal Year Ended June 30, 2012

**Schedule 9**

	July 1, 2011	Additions	Deductions	Interfund Transfers In (Out)	June 30, 2012
<b>Assets:</b>					
<b>Cash and Cash Equivalents:</b>					
Athletics.....	\$ 48,517	206,352	208,351	(2,507)	44,011
Music.....	5,072	6,221	6,480	-	4,813
Classes.....	3,861	2,246	4,445	256	1,918
Clubs.....	24,565	57,690	55,183	2,627	29,699
Departments.....	20,878	8,352	5,142	1,910	25,998
Trusts.....	20,760	90,175	94,464	4,561	21,032
General.....	<u>71,395</u>	<u>87,570</u>	<u>53,105</u>	<u>(6,847)</u>	<u>99,013</u>
Total assets.....	<u>195,048</u>	<u>458,606</u>	<u>427,170</u>	<u>-</u>	<u>226,484</u>
<b>Liabilities and Net Assets:</b>					
<b>Liabilities:</b>					
Due to internal accounts.....	<u>195,048</u>	<u>458,606</u>	<u>427,170</u>	<u>-</u>	<u>226,484</u>
Net Assets.....	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**DISTRICT SCHOOL INTERNAL ACTIVITY FUNDS**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
**SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS -**  
**OLD KINGS ELEMENTARY SCHOOL**  
For the Fiscal Year Ended June 30, 2012

**Schedule 10**

	July 1, 2011	Additions	Deductions	Interfund Transfers In (Out)	June 30, 2012
<b>Assets:</b>					
<b>Cash and Cash Equivalents:</b>					
Athletics.....	\$ 1,947	2,909	3,054	-	1,802
Music.....	2,153	6,086	4,346	-	3,893
Classes.....	1,645	549	639	-	1,555
Clubs.....	269	969	732	-	506
Departments.....	9,718	27,262	20,069	-	16,911
Trusts.....	2,291	19,722	20,021	2,343	4,335
General.....	<u>73,609</u>	<u>48,807</u>	<u>34,527</u>	<u>(2,343)</u>	<u>85,546</u>
Total assets.....	<u>91,632</u>	<u>106,304</u>	<u>83,388</u>	<u>-</u>	<u>114,548</u>
<b>Liabilities and Net Assets:</b>					
<b>Liabilities:</b>					
Due to internal accounts.....	<u>91,632</u>	<u>106,304</u>	<u>83,388</u>	<u>-</u>	<u>114,548</u>
Net Assets.....	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**DISTRICT SCHOOL INTERNAL ACTIVITY FUNDS**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
**SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS -**  
**PATHWAYS ACADEMY**  
For the Fiscal Year Ended June 30, 2012

**Schedule 11**

	July 1, 2011	Additions	Deductions	Interfund Transfers In (Out)	June 30, 2012
<b>Assets:</b>					
<b>Cash and Cash Equivalents:</b>					
Departments.....	\$ 40	-	-	(40)	-
Trusts.....	100	3,751	2,685	40	1,206
General.....	<u>2,578</u>	<u>1,240</u>	<u>858</u>	-	<u>2,960</u>
Total assets.....	<u>2,718</u>	<u>4,991</u>	<u>3,543</u>	-	<u>4,166</u>
<b>Liabilities and Net Assets:</b>					
<b>Liabilities:</b>					
Due to internal accounts.....	<u>2,718</u>	<u>4,991</u>	<u>3,543</u>	-	<u>4,166</u>
Net Assets.....	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**DISTRICT SCHOOL INTERNAL ACTIVITY FUNDS**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
**SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS -**  
**RYMFIRE ELEMENTARY SCHOOL**  
For the Fiscal Year Ended June 30, 2012

**Schedule 12**

	July 1, 2011	Additions	Deductions	Interfund Transfers In (Out)	June 30, 2012
<b>Assets:</b>					
<b>Cash and Cash Equivalents:</b>					
Athletics.....	\$ 168	290	182	-	276
Music.....	13	-	-	-	13
Classes.....	186	-	-	-	186
Clubs.....	5,916	6,341	7,584	-	4,673
Departments.....	3,929	9,196	10,291	-	2,834
Trusts.....	4,475	23,904	23,360	-	5,019
General.....	<u>72,512</u>	<u>37,127</u>	<u>37,081</u>	<u>-</u>	<u>72,558</u>
Total assets.....	<u>87,199</u>	<u>76,858</u>	<u>78,498</u>	<u>-</u>	<u>85,559</u>
<b>Liabilities and Net Assets:</b>					
<b>Liabilities:</b>					
Due to internal accounts.....	<u>87,199</u>	<u>76,858</u>	<u>78,498</u>	<u>-</u>	<u>85,559</u>
Net Assets.....	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



**DISTRICT SCHOOL INTERNAL ACTIVITY FUNDS**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
**SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS -**  
**STUDENT SERVICES**  
For the Fiscal Year Ended June 30, 2012

**Schedule 13**

	July 1, 2011	Additions	Deductions	Interfund Transfers In (Out)	June 30, 2012
<b>Assets:</b>					
<b>Cash and Cash Equivalents:</b>					
Trusts.....	\$ 1,960	19,034	12,170	-	8,824
General.....	<u>1,028</u>	<u>12,520</u>	<u>7,842</u>	<u>-</u>	<u>5,706</u>
Total assets.....	<u>2,988</u>	<u>31,554</u>	<u>20,012</u>	<u>-</u>	<u>14,530</u>
<b>Liabilities and Net Assets:</b>					
<b>Liabilities:</b>					
Due to internal accounts.....	<u>2,988</u>	<u>31,554</u>	<u>20,012</u>	<u>-</u>	<u>14,530</u>
Net Assets.....	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**DISTRICT SCHOOL INTERNAL ACTIVITY FUNDS**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
**SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS -**  
**WADSWORTH ELEMENTARY SCHOOL**  
For the Fiscal Year Ended June 30, 2012

**Schedule 14**

	July 1, 2011	Additions	Deductions	Interfund Transfers In (Out)	June 30, 2012
<b>Assets:</b>					
<b>Cash and Cash Equivalents:</b>					
Athletics.....	\$ 77	377	340	130	244
Music.....	928	45	395	-	578
Classes.....	63	1,679	3,396	1,724	70
Clubs.....	1,180	10,116	10,961	46	381
Departments.....	1,567	6,496	7,099	-	964
Trusts.....	10,308	27,616	28,256	(474)	9,194
General.....	<u>66,246</u>	<u>48,941</u>	<u>33,498</u>	<u>(1,426)</u>	<u>80,263</u>
Total assets.....	<u>80,369</u>	<u>95,270</u>	<u>83,945</u>	<u>-</u>	<u>91,694</u>
<b>Liabilities and Net Assets:</b>					
<b>Liabilities:</b>					
Due to internal accounts.....	<u>80,369</u>	<u>95,270</u>	<u>83,945</u>	<u>-</u>	<u>91,694</u>
Net Assets.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

***COMPLIANCE SECTION***

This Page Intentionally Left Blank.

# BM&C

**BRENT MILLIKAN & COMPANY, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

**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***

The Honorable Chair Person, District School  
Board Members and Superintendent  
School District of Flagler County, Florida  
Bunnell, Florida

We have audited the combined statement of fiduciary net assets and statement of changes in fiduciary net assets arising from cash transactions of the District School Internal Activity Funds of the School District of Flagler County, Florida as of and for the year ended June 30, 2012, and have issued our report thereon dated October 29, 2012. 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.

### **Internal Control Over Financial Reporting**

Management of the District School Internal Activity Funds of the School District of Flagler County, Florida, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School District of Flagler County, Florida's internal control over financial reporting as a basis for designing our auditing procedures 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 School District of Flagler County, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District of Flagler County, Florida's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting, which are described in items A.1 through A.5. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District of Flagler County, Florida's financial statements are 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses.

We noted certain other matters that we are reporting to management of the School District of Flagler County, Florida that are described in the accompanying schedule of findings and responses as items A.6 and items B.1 through B.13.

The School District of Flagler County, Florida's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit School District of Flagler County, Florida's response and, accordingly, we express no opinion on it.

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



October 29, 2012

**DISTRICT SCHOOL INTERNAL ACTIVITY FUND**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
For the Fiscal Year Ended June 30, 2012

---

Our findings, recommendations and auditee responses are specifically segregated into two separate categories for reporting herein. The first category (item A) represents our district-wide findings and recommendations for District School Internal Activity Funds taken as a whole. The second category (item B) represents our specific findings and recommendations for District School Internal Activity Funds at each of the District's individual schools and education centers.

**A. District-Wide Findings, Recommendations and Auditee Responses**

***1. Segregation of Duties and Internal Control Environment***

The general stewardship responsibilities of the Flagler County District School Board (the "District") include the development and utilization of management and internal control systems for the individual school internal activity funds. These systems are in place to provide reasonable assurance to management and the District's elected officials that the receipt and disposition of its individual school internal activity account funds are effectively and efficiently safeguarded against loss, and are being appropriately managed in accordance with applicable federal, state, and district laws and requirements. During our individual school on-site audits, we noted that the District's ability to implement managerial oversight on a uniform District-wide basis is hampered by limited personnel staffing at the District's individual schools and education centers.

Most job duties and responsibilities associated with the receiving and disbursing of internal activity account funds, the preparation of bank deposits, the recording of internal activity fund transactions in the District's financial reporting systems, the maintenance of appropriate supporting documentation, and the reconciliation of all related accounts are typically delegated to a single individual at each school. The ultimate *fiduciary* responsibility for all internal activity funds is formally delegated by the District to its individual school principals.

Recommendation: When conditions exist that indicate a lack of physical segregation of key financial duties at the school level, i.e., a lack of documented school principal oversight and delegation of check-signing privileges to the internal accounts bookkeeper, we continue to recommend that consideration should be given to the monthly independent preparation (preferably by District Finance Department personnel) of all internal activity fund bank account reconciliations, as is recommended by the Florida Department of Education.

We continue to suggest that actions should be considered to mitigate and/or lessen the inherent risks associated with the appointment of authorized account signatories by limiting all check-signing authority and bank debit card use to the school principal and assistant principal(s).

We continue to recommend that District personnel consider expanding its ongoing training sessions for all District school administrators, department heads, and bookkeepers to include a review of applicable procedures contained in the District's *Fiscal Management Policies*, the newly implemented *Internal Accounts Procedures Manual (July 2010)*, and the Florida Department of Education's *Financial and Program Cost Accounting and Reporting for Florida Schools*.

Auditee Response: *The District will continue to improve segregation of duties and internal controls, along with continued monitoring from the District's financial personnel.*

**DISTRICT SCHOOL INTERNAL ACTIVITY FUND**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
For the Fiscal Year Ended June 30, 2012

---

**2. *Cash Receipts System and Accounting Procedures***

During our review of the control environment associated with the District's individual schools' established internal control systems for internal activity fund cash receipts, we found that most individual school cash receipts systems are being maintained in compliance with the District's *Fiscal Management Policies*, which outlines the District's formal policies over the collection and use of internal activity funds. However, we did note instances where some of the individual school cash receipt systems are not being maintained in compliance with District policies.

Florida Department of Education and the District's policies currently require all teachers and sponsors to prepare and issue a pre-numbered cash receipt form to document the receipt of individual participant cash or check payments to be deposited into the school's internal activity fund bank account. Subsequent to the collection of these funds, teachers and sponsors are required to accurately complete and submit a *Report of Monies Collected* form to accompany all funds being remitted to the bookkeeper for deposit. Upon receipt of these funds, the bookkeeper should always verify the monies collected in the presence of the submitting party. Pursuant to District requirements [Policy 705(7)], all collected monies are required to be presented to the bookkeeper within one (1) business day of receipt, and subsequently deposited intact into the school's internal activity fund bank account within three (5) working days of collection.

During our tests of the individual schools' cash receipts systems, we continued to note significant district-wide improvement in regards to compliance with State and District policies. However, during our examination of the cash receipts internal controls, we noted that 9 of the 13 school bookkeepers continue to physically deliver cash receipts directly to their school's banking institution for deposit. The obvious inherent risk of such a practice is not only to the internal accounts funds being transported, but also to the wellbeing of the school bookkeeper.

Recommendation: We continue to recommend that implementation of a district-wide contract with an armored banking courier service to routinely pick-up cash receipt deposits for delivery to each school's banking institution. We have found that in most Florida school districts, it is common practice to have internal accounts deposits picked up, along with cafeteria collection deposits, a minimum of three days per week. Interviews with District Finance Department personnel revealed that an agreement with Intracoastal Bank regarding deposit pickups has been implemented at those schools that have accounts with the bank.

During our random tests of *Ticket Sellers Reports* we noted an instance where pre-numbered tickets for a non-athletic event were not used in accordance with Florida Department of Education *Financial and Program Cost Accounting and Reporting for Florida Schools*, Chapter 7, Section III, 1.4(a) requirements. As a result, we were unable to ascertain whether all ticket sale collections were appropriately submitted to the bookkeeper, and subsequently deposited into the school's internal activity bank account.

Recommendation: Pre-numbered tickets should always be used for events where an admission price is charged, and a *Ticket Sellers Report* form should be appropriately completed and submitted to the bookkeeper as support for the monies collected. Monies collected for each date of the ticketed event should be promptly deposited intact to the appropriate internal activity fund, as required by State and District policies.



**DISTRICT SCHOOL INTERNAL ACTIVITY FUND**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
For the Fiscal Year Ended June 30, 2012

---

Although we have noted significant improvement (district-wide), we continue to suggest that adherence to the following items will help to ensure that the District's cash receipts system will be in compliance with Florida Department of Education and Flagler County School Board policies and procedures.

- Teachers and sponsors should be required to submit their collections of internal activity funds to the bookkeeper for deposit within the required one (1) business day of receipt;
- Teachers and sponsors should be required to prepare and retain copies of formal pre-numbered cash receipt forms for all monies collected throughout the year, and that sufficient reference be made on the *Report of Monies Collected* form of all individual cash receipts issued, which should support the total amount submitted to the bookkeeper. Used cash receipt books should be retained until completion of the fiscal year's audit, and any incomplete forms or exceptions should be reported to the school Principal upon discovery;
- Internal accounts bookkeepers should continue to document whether all pre-numbered cash receipts issued to teachers/sponsors are numerically controlled (i.e. numerical sequence of cash receipts is accounted for on an ongoing basis). Likewise, in order to ensure that collections associated with completed pre-numbered cash receipt forms have been appropriately submitted to the bookkeeper, procedures should be implemented to verify that total monies receipted can be reconciled to the funds actually submitted for deposit;
- Routine examination of dates on individual pre-numbered cash receipt forms should be compared to the accompanying *Report of Monies Collected* form's verification date (date received by the bookkeeper) to obtain assurance that all teacher/sponsor collections are remitted intact to the bookkeeper for deposit within one business day, and subsequently deposited into the internal activity fund bank account within five days of receipt, as required by District policies; and
- Any detected violations of these requirements should be reported to the Principal in writing for follow-up action.

*Auditee Response:* Pre-numbered tickets are typically always used for events where an admission price is charged. We consider this an isolated situation and have reviewed the procedures of the individual schools to ensure this situation does not occur again.

### **3. Purchase Order and Encumbrance Systems**

The Florida Department of Education's *Redbook 2001* requires that no activity account shall incur an expense or liability without first securing written approval of the principal, or, in his/her absence, a duly authorized representative. Further, these standards require that no teacher or other school personnel shall obligate school funds by purchasing materials or services without obtaining proper prior approval.

During our tests of the District's individual school control systems for internal activity fund cash disbursements, we noted considerable improvement with regards to pre-approval of specific orders from vendors.

Recommendation: We recommend continued development and implementation of formal District-wide uniform standards, policies and procedures for the disbursement of internal activities account funds. The implementation and enforcement of these uniform standards should strengthen management's control over internal activity funds disbursements, which would reduce risks associated

**DISTRICT SCHOOL INTERNAL ACTIVITY FUND**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
For the Fiscal Year Ended June 30, 2012

---

with potentially unapproved, restricted, or fraudulent purchases, and further ensure compliance with the Florida Department of Education requirements regarding purchases and obligation of funds.

Interviews with District Finance Department personnel revealed that the District's new integrated accounting software module was activated for internal activity accounts during the 2012-2013 school year; however, the activation of the software's purchase order system will not be implemented until the subsequent fiscal year. Once this new accounting software system is fully in place, these processes should facilitate compliance with pre-encumbrance/pre-approval requirements for effective internal control of cash disbursements.

*Auditee Response: A new financial software package was implemented for the 2012-13 fiscal year. The new software includes a purchase order module, which will be utilized by the individual schools in the near term.*

#### **4. Use of Bank Debit Cards and Store Credit Cards**

During our testing of cash disbursements at the individual schools, we continued to note instances where revolving credit accounts were being used for internal activities account purchases, and some individual schools' bank account debit cards continued to be used, as well. However, with the guidelines set forth for use of debit and store credit cards in the *Internal Accounts Procedures Manual (July, 2010)*, adherence to these procedures should reduce the risk of unauthorized purchases.

Recommendation: In order to minimize risks involved with these practices, we continue to suggest that a District-wide internal accounts purchasing card system, with policies and procedures specifically related to its use, be implemented to eliminate the need for individual store credit accounts, and the use of schools' bank account debit cards. The State of Florida administrative code states that "Insofar as practicable, all purchases shall be based on contracts, purchasing card systems, electronic procurements or purchase orders." Each of these methods should require pre-approval by the school's principal or designee, which should facilitate compliance with requirements for effective internal control of cash disbursements.

We continue to suggest the discontinuance of school bank account debit cards, considering the inherent risks associated with theft or loss to the school's internal activity bank account. Discontinuing their use would also greatly reduce risk associated with unapproved purchases and fraud.

*Auditee Response: In an effort to reduce the risk of unauthorized purchases, the District's Finance personnel will continue to monitor adherence to the guidelines set forth in the Internal Accounts Procedures Manual for use of debit and store credit cards.*

#### **5. Fundraising Activities**

District procedures relating to authorized fundraising activities currently require that teachers and sponsors accurately complete a *Fundraising Form* to document specifics of the fundraiser, estimated sales, and upon completion of the fundraiser the total sales and actual net profit realized. A *Sales Item Inventory Report* is required to be completed when items are obtained for resale, which documents the beginning and ending inventory of items sold, original cost per item, sales price of the

**DISTRICT SCHOOL INTERNAL ACTIVITY FUND**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
For the Fiscal Year Ended June 30, 2012

---

item, and the total collections from sales. These forms should be completed and signed by the person in charge of the fundraiser, and then submitted for review to the principal or designee. During the audit, we noted the following matters, listed in order of frequency:

- Teachers and sponsors do not always submit their fundraising collections of internal activity funds to the bookkeeper for deposit within the required one (1) business day of receipt;
- Teachers and sponsors do not always accurately complete the information required on the *Fundraising Form* (i.e., total collections listed on the form do not always reconcile to the total monies submitted for deposit); and
- Teachers and sponsors do not always prepare a *Fundraising Form* showing actual sales and net profit, or a *Sales Item Inventory Report* to document the specifics of items sold.

During our examination of fundraising collections, we noted considerable improvement in the preparation, retention and reconciliation of the District's *Fundraising Form*. However, in our random routine review of fundraising activities we noted two instances where games of chance were being used for fundraising purposes. In both instances noted we found that teacher/sponsors were selling tickets for random drawings to win gift baskets. This practice fits the definition of a "game of chance" it is in violation of Florida Department of Education *Financial and Program Cost Accounting and Reporting for Florida Schools*, Chapter 7, Section III, 4.4(c), which states: "The principal shall control the fundraising activities conducted in the name of the school, and assure that the purposes are worthwhile. Raffles and other activities of chance shall not be conducted for school connected activities." Further, the Flagler County Public Schools *Internal Account Procedures Manual*, dated July, 2010, states that: "Raffles and other activities of chance cannot be conducted for a school fundraising activity."

Recommendation: We continue to suggest that teacher/sponsor training should take place at the individual school level to better acquaint fundraiser sponsors with the policies and procedures associated with fundraising activities, including accountability for funds collected, and further, to instruct on accurate completion of the *Fundraising Form* and the *Sales Item Inventory Report*. We further recommend that future fundraisers, which may seem appropriate on the surface, be better scrutinized to determine if they may not actually be games of chance or raffles, which are prohibited.

Auditee Response: *The District's finance personnel will continue to monitor and recommend improvements with the schools' principals and bookkeepers.*

## **6. Training Programs and Expanded Policies**

During the audit we continued to note circumstances where some school faculty and staff were unfamiliar with certain regulatory requirements associated with internal activity accounts. Considering the percentage of position changes at larger schools, this finding was more prevalent at middle and high schools, thus consistent communication of State and District rules, policies and the necessary procedures needed to ensure compliance can be a time-consuming task.

We also recognize that due to the nature of certain athletic and band activities, some transactions are exceptional in nature and, therefore, are not addressed by specific guidelines in the District's *Fiscal Management Policies*. In response to these unusual events, some individual schools have developed their own system for managing these exceptional activities, which may not always correspond with

**DISTRICT SCHOOL INTERNAL ACTIVITY FUND**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
For the Fiscal Year Ended June 30, 2012

---

mandated State and District policies and procedures governing receipts and disbursements of internal funds.

The *Internal Accounts Procedures Manual (July, 2010)* should clarify the Board's policies, and give those responsible for receipt and disbursements of internal activity accounts a comprehensive source for guidance.

Recommendation: We continue to recommend the ongoing development of training sessions for all District school administrators and bookkeepers, in order to review applicable procedures needed to ensure compliance with the District's *Fiscal Management Policies*; as well as the standards listed in the Florida Department of Education's *Financial and Program Cost Accounting and Reporting for Florida Schools*.

We continue to recommend topic-specific training sessions for all teachers and sponsors who will be responsible for fundraising activities; use of store credit cards or bank debit cards; as well as cash receipts and cash disbursements/purchasing policies.

Auditee Response: *We will continue to conduct meetings throughout the year.*

**DISTRICT SCHOOL INTERNAL ACTIVITY FUND**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
For the Fiscal Year Ended June 30, 2012

---

**B. Individual School and Education Center Findings, Recommendation and Auditee Responses**

*1. Adult Community Education, Palm Coast, FL*

- a. See summary of District-wide comments in Section A, attached.

*Auditee Response: The District will continue to provide continuing education and specialty training to their internal accounts bookkeepers that address these matters.*

**DISTRICT SCHOOL INTERNAL ACTIVITY FUND**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
For the Fiscal Year Ended June 30, 2012

---

**2. Belle Terre Elementary School, Palm Coast, FL**

- a. See summary of District-wide comments in Section A, attached.
- b. We noted that 30% of cash receipts tested revealed that monies collected by teachers or sponsors were not submitted to the bookkeeper promptly, in accordance with the Florida Department of Education *Financial and Program Cost Accounting and Reporting for Florida Schools*, Chapter 7, Section III, 1.4(b) and the Flagler County School Board's Policy No. 705(7) requirements. All cash receipt collections should be delivered to the bookkeeper within 1 business day of receipt for deposit in the internal activity fund bank account. This finding was noted on the prior year audit report.

*Auditee Response: The District will continue to provide continuing education and specialty training to their internal accounts bookkeepers that address these matters.*

**DISTRICT SCHOOL INTERNAL ACTIVITY FUND**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
For the Fiscal Year Ended June 30, 2012

---

**3. *Buddy Taylor Middle School, Palm Coast, FL***

- a. See summary of District-wide comments in Section A, attached.
- b. We noted 50% of cash receipts tested had either incomplete individual cash receipt forms, or individual cash receipt forms were not available for our examination, in accordance with the Florida Department of Education *Financial and Program Cost Accounting and Reporting for Florida Schools*, Chapter 7, Section III, 1.4(a) and the Flagler County School Board's Policy No. 705(7) requirements. Receipts included on the *Report of Monies Collected* forms could not be traced to actual collections, thus, it was not possible for the examiner to readily determine whether all cash receipts were appropriately submitted to the bookkeeper. We recommend that faculty and staff be required to prepare and retain copies of formal pre-numbered cash receipt forms for all monies collected throughout the year. We also recommend that sufficient reference to each receipt (name, receipt number, and amount collected) be listed on the *Report of Monies Collected* form, the sum of which should always support the total amount submitted to the bookkeeper. Used cash receipt books should be retained until completion of the fiscal year's audit, and any incomplete forms or exceptions should be reported to the school Principal upon discovery.

*Auditee Response: The District will continue to provide continuing education and specialty training to their internal accounts bookkeepers that address these matters.*

**DISTRICT SCHOOL INTERNAL ACTIVITY FUND**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Fiscal Year Ended June 30, 2012

---

**4. *Bunnell Elementary School, Bunnell, FL***

- a. See summary of District-wide comments in Section A, attached.

*Auditee Response: The District will continue to provide continuing education and specialty training to their internal accounts bookkeepers that address these matters.*



**DISTRICT SCHOOL INTERNAL ACTIVITY FUND**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
For the Fiscal Year Ended June 30, 2012

---

**5. *Exceptional Student Education (ESE), Bunnell, FL***

- a. See summary of District-wide comments in Section A, attached.

*Auditee Response: The District will continue to provide continuing education and specialty training to their internal accounts bookkeepers that address these matters.*

**DISTRICT SCHOOL INTERNAL ACTIVITY FUND**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
For the Fiscal Year Ended June 30, 2012

---

**6. *Flagler Palm Coast High School, Palm Coast, FL***

- a. See summary of District-wide comments in Section A, attached.
- b. We noted that 8% of cash receipts tested revealed that monies collected by teachers or sponsors were not submitted to the bookkeeper promptly, in accordance with the Florida Department of Education *Financial and Program Cost Accounting and Reporting for Florida Schools*, Chapter 7, Section III, 1.4(b) and the Flagler County School Board's Policy No. 705(7) requirements. All cash receipt collections should be delivered to the bookkeeper within 1 business day of receipt for deposit in the internal activity fund bank account. A similar finding was noted on the prior year audit report.
- c. We noted 12% of cash receipts tested had either incomplete individual cash receipt forms, or individual cash receipt forms were not available for our examination, in accordance with the Florida Department of Education *Financial and Program Cost Accounting and Reporting for Florida Schools*, Chapter 7, Section III, 1.4(a) and the Flagler County School Board's Policy No. 705(7) requirements. Receipts included on the *Report of Monies Collected* forms could not be traced to actual collections, thus, it was not possible for the examiner to readily determine whether all cash receipts were appropriately submitted to the bookkeeper. We recommend that faculty and staff be required to prepare and retain copies of formal pre-numbered cash receipt forms for all monies collected throughout the year. We also recommend that sufficient reference to each receipt (name, receipt number, and amount collected) be listed on the *Report of Monies Collected* form, the sum of which should always support the total amount submitted to the bookkeeper. Used cash receipt books should be retained until completion of the fiscal year's audit, and any incomplete forms or exceptions should be reported to the school Principal upon discovery. This finding was noted on the prior year audit report.

*Auditee Response:* *The District will continue to provide continuing education and specialty training to their internal accounts bookkeepers that address these matters.*

**DISTRICT SCHOOL INTERNAL ACTIVITY FUND**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
For the Fiscal Year Ended June 30, 2012

---

**7. *Indian Trails K-8 School, Palm Coast, FL***

- a. See summary of District-wide comments in Section A, attached.
- b. We noted that 11% of cash receipts tested (including random selections of fundraising activities) revealed that monies collected by teachers or sponsors were not submitted to the bookkeeper promptly, in accordance with the Florida Department of Education *Financial and Program Cost Accounting and Reporting for Florida Schools*, Chapter 7, Section III, 1.4(b) and the Flagler County School Board's Policy No. 705(7) requirements. All cash receipt collections should be delivered to the bookkeeper within 1 business day of receipt for deposit in the internal activity fund bank account. This finding was noted on the prior year audit report.

*Auditee Response: The District will continue to provide continuing education and specialty training to their internal accounts bookkeepers that address these matters.*

**DISTRICT SCHOOL INTERNAL ACTIVITY FUND**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
For the Fiscal Year Ended June 30, 2012

---

**8. *Matanzas High School, Palm Coast, FL***

- a. See summary of District-wide comments in Section A, attached.
- b. During our audit, we noted an instance where pre-numbered tickets for a non-athletic event were not used in accordance with Florida Department of Education *Financial and Program Cost Accounting and Reporting for Florida Schools*, Chapter 7, Section III, 1.4(a) requirements. Pre-numbered tickets should be used for all events where an admission price is charged, and a *Ticket Sellers Report* form should be appropriately completed and submitted to the bookkeeper as support for the monies collected. Monies collected for each date of the ticketed event should be promptly deposited intact to the appropriate internal activity fund, as required by State and District policies.

*Auditee Response: The District will continue to provide continuing education and specialty training to their internal accounts bookkeepers that address these matters.*

**DISTRICT SCHOOL INTERNAL ACTIVITY FUND**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
For the Fiscal Year Ended June 30, 2012

---

**9. *Old Kings Elementary School, Palm Coast, FL***

- a. See summary of District-wide comments in Section A, attached.
- b. During our audit and examination of fundraisers, we noted instances where tickets were sold for chances to win a gift basket at each grade level; wherein, these tickets were sold for a specific price, and random drawings were held to determine the winners. According to the Florida Department of Education *Financial and Program Cost Accounting and Reporting for Florida Schools*, Chapter 7, Section III, 4.4(c): “The principal shall control the fundraising activities conducted in the name of the school, and assure that the purposes are worthwhile. Raffles and other activities of chance shall not be conducted for school connected activities.” Further, the Flagler County Public Schools *Internal Account Procedures Manual*, dated July, 2010, states that: “Raffles and other activities of chance cannot be conducted for a school fundraising activity.” We recommend that future fundraisers, which may seem appropriate on the surface, be better scrutinized to determine if they may not actually be games of chance or raffles, which are prohibited.

*Auditee Response: The District will continue to provide continuing education and specialty training to their internal accounts bookkeepers that address these matters.*

**DISTRICT SCHOOL INTERNAL ACTIVITY FUND**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Fiscal Year Ended June 30, 2012

---

***10. Pathways Academy, Palm Coast, FL***

- a. See summary of District-wide comments in Section A, attached.

*Auditee Response: The District will continue to provide continuing education and specialty training to their internal accounts bookkeepers that address these matters.*

**DISTRICT SCHOOL INTERNAL ACTIVITY FUND**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
For the Fiscal Year Ended June 30, 2012

---

***11. Rymfire Elementary School, Palm Coast, FL***

- a. See summary of District-wide comments in Section A, attached.
- b. We noted that 10% of cash receipts tested and random sampling of ticketed events revealed that monies collected by teachers or sponsors were not submitted to the bookkeeper promptly, in accordance with the Florida Department of Education *Financial and Program Cost Accounting and Reporting for Florida Schools*, Chapter 7, Section III, 1.4(b) and the Flagler County School Board's Policy No. 705(7) requirements. All cash receipt collections should be delivered to the bookkeeper within 1 business day of receipt for deposit in the internal activity fund bank account.
- c. We noted during our cash receipts test there were incomplete individual cash receipt forms written for yearbook collections (many were undated), in accordance with the Florida Department of Education *Financial and Program Cost Accounting and Reporting for Florida Schools*, Chapter 7, Section III, 1.4(a) and the Flagler County School Board's *Internal Accounts Procedures Manual*, dated July, 2010 - Cash Receipts and Deposits. Receipts included on the *Report of Monies Collected* forms could not be traced to actual collections, thus, it was not possible for the examiner to readily determine whether all cash receipts were appropriately submitted to the bookkeeper. We recommend that more care be given to the completion of individual student cash receipt forms. We also recommend that sufficient reference to each receipt (name, receipt number, and amount collected) be listed on the *Report of Monies Collected* form, the sum of which should always support the total amount submitted to the bookkeeper. Used cash receipt books should be retained until completion of the fiscal year's audit, and any incomplete forms or exceptions should be reported to the school Principal upon discovery.

*Auditee Response:* *The District will continue to provide continuing education and specialty training to their internal accounts bookkeepers that address these matters.*

**DISTRICT SCHOOL INTERNAL ACTIVITY FUND**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Fiscal Year Ended June 30, 2012

---

***12. Student Services, Bunnell, FL***

- a. See summary of District-wide comments in Section A, attached.

*Auditee Response: The District will continue to provide continuing education and specialty training to their internal accounts bookkeepers that address these matters.*



**DISTRICT SCHOOL INTERNAL ACTIVITY FUND**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
For the Fiscal Year Ended June 30, 2012

---

**13. Wadsworth Elementary School, Palm Coast, FL**

- a. See summary of District-wide comments in Section A, attached.
- b. We noted 10% of cash receipts tested had either incomplete individual cash receipt forms, or individual cash receipt forms were not available for our examination (in particular yearbook receipts), in accordance with the Florida Department of Education *Financial and Program Cost Accounting and Reporting for Florida Schools*, Chapter 7, Section III, 1.4(a) and the Flagler County School Board's Policy No. 705(7) requirements. Receipts included on the *Report of Monies Collected* forms could not be traced to actual collections, thus, it was not possible for the examiner to readily determine whether all cash receipts were appropriately submitted to the bookkeeper. We recommend that faculty and staff be required to prepare and retain copies of formal pre-numbered cash receipt forms for all monies collected throughout the year. We also recommend that sufficient reference to each receipt (name, receipt number, and amount collected) be listed on the *Report of Monies Collected* form, the sum of which should always support the total amount submitted to the bookkeeper. Used cash receipt books should be retained until completion of the fiscal year's audit, and any incomplete forms or exceptions should be reported to the school Principal upon discovery.
- c. During our audit and examination of fundraisers, we noted an instance where tickets were sold for chances to win gift baskets at a fundraising event; wherein, these tickets were sold for a specific price, and random drawings were held to determine the winners. According to the Florida Department of Education *Financial and Program Cost Accounting and Reporting for Florida Schools*, Chapter 7, Section III, 4.4(c): "The principal shall control the fundraising activities conducted in the name of the school, and assure that the purposes are worthwhile. Raffles and other activities of chance shall not be conducted for school connected activities." Further, the Flagler County Public Schools *Internal Account Procedures Manual*, dated July, 2010, states that: "Raffles and other activities of chance cannot be conducted for a school fundraising activity." We recommend that future fundraisers, which may seem appropriate on the surface, be better scrutinized to determine if they may not actually be games of chance or raffles, which are prohibited.

*Auditee Response:* *The District will continue to provide continuing education and specialty training to their internal accounts bookkeepers that address these matters.*

This Page Intentionally Left Blank.