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# **School District Of Flagler County, Florida**



## **District School Internal Activity Funds**

### **Financial Statements and Independent Accountants' Report**

**For the Year Ended  
June 30, 2013**

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# School District of Flagler County



## School Board Members

Andy Dance, Chair Person

Colleen Conklin

Sue Dickinson

John Fischer

Trevor Tucker

## Superintendent of Schools

Janet Valentine

## *District School Internal Activity Funds*

*Financial Statements  
And  
Independent Accountants' Report*

*June 30, 2013*

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**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
**FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANTS' REPORT**  
June 30, 2013

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***INDEPENDENT ACCOUNTANTS' REPORT***

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**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

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

We have audited the accompanying statement of fiduciary net position of the District School Internal Activity Funds of the School District of Flagler County, Florida, as of and for the year ended June 30, 2013, and the related statement of changes in fiduciary net position, 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 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the District School Internal Activity Funds of the School District of Flagler County, Florida, as of June 30, 2103, and the respective changes in fiduciary net position on the basis of accounting described in Note 1.

***Emphasis of Matter***

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, 2013 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.

***Other Matters***

*Required Supplementary Information* - Management has omitted inclusion of Management Discussion and Analysis (MD&A) in these financial statements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Other Information* - Our audit was conducted for the purpose of forming an opinion on the statements of fiduciary net position and changes in fiduciary net position of the District School Internal Activity Funds of the School District of Flagler County, Florida, taken as a whole. The accompanying combining and individual schedules of changes in fiduciary net position are the responsibility of management and were derived from and relate 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, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual schedules of changes in fiduciary net position are 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 August 15, 2013, on our consideration of the School District of Flagler County, Florida's internal control over financial reporting and on our tests of its 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 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 School District of Flagler County, Florida's internal control over financial reporting and compliance.

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

New Smyrna Beach, Florida  
August 15, 2013

***FINANCIAL SECTION***

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**DISTRICT SCHOOL INTERNAL ACTIVITY FUNDS**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
 STATEMENT OF FIDUCIARY NET POSITION -  
 ALL DISTRICT SCHOOLS  
 June 30, 2013

**Statement 1**

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Assets:		
Cash and Cash Equivalents:		
Demand Deposits.....	\$	1,508,768
Total Assets.....		<u>\$ 1,508,768</u>
Liabilities and Net Position		
Liabilities:		
Due to student/teacher/parent groups.....	\$	1,508,768
Total Liabilities.....		1,508,768
Net Position.....		<u>-</u>
Total Liabilities and Net Position.....		<u>\$ 1,508,768</u>

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 POSITION -  
ALL DISTRICT SCHOOLS  
For the Fiscal Year Ended June 30, 2013

**Statement 2**

	July 1, 2012	Additions	Deletions	June 30, 2013
<b>Assets:</b>				
Cash and cash equivalents.....	\$ <u>1,322,273</u>	<u>2,427,808</u>	<u>2,241,313</u>	<u>1,508,768</u>
<b>Total assets</b> .....	<u>1,322,273</u>	<u>2,427,808</u>	<u>2,241,313</u>	<u>1,508,768</u>
<b>Liabilities and Net Position:</b>				
<b>Liabilities:</b>				
Due to student/teacher/parent groups.....	<u>1,322,273</u>	<u>2,427,808</u>	<u>2,241,313</u>	<u>1,508,768</u>
<b>Total liabilities</b> .....	<u>1,322,273</u>	<u>2,427,808</u>	<u>2,241,313</u>	<u>1,508,768</u>
<b>Net Position</b> .....	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

***NOTES TO THE FINANCIAL STATEMENTS***

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**DISTRICT SCHOOL INTERNAL ACTIVITY FUNDS**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2013

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**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.

As of the year ended June 30, 2013, the District operated 15 schools and education centers which maintained 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. The combined balances of all schools and education centers' internal activity accounts are included as agency funds in the School Board's comprehensive annual financial report.

**DISTRICT SCHOOL INTERNAL ACTIVITY FUNDS**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS - (Continued)  
For the Fiscal Year Ended June 30, 2013

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

Administrative Office, Bunnell, FL  
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  
Everest Alternative School, Palm Coast, 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  
Phonix 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**

*Deposits.* At June 30, 2013, the carrying value of the District's cash deposit accounts totaled \$1,508,768 and the bank balance totaled \$1,605,665. The cash deposits are held by banks that qualify as public depositories under the Florida Security for Public Deposits Act (mentioned below) as required by Chapter 280, Florida Statutes and are fully insured.

**DISTRICT SCHOOL INTERNAL ACTIVITY FUNDS**  
**SCHOOL DISTRICT OF FLAGER COUNTY, FLORIDA**  
NOTES TO THE FINANCIAL STATEMENTS - (Continued)  
For the Fiscal Year Ended June 30, 2013

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*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 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. 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.

At June 30, 2013, all of the District's deposits were adequately covered by a combination of federal depository insurance and the statutory provisions of the Act.

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***SUPPLEMENTAL INFORMATION***

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**DISTRICT SCHOOL INTERNAL ACTIVITY FUNDS**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION -  
ALL DISTRICT SCHOOLS  
For the Fiscal Year Ended June 30, 2013

**Schedule 1**

	July 1, 2012	Additions	Deductions	June 30, 2013
<b>Assets:</b>				
<b>Cash and Cash Equivalents:</b>				
Administrative Office.....	\$ -	67,231	30,443	36,788
Adult & Community Education.....	197,943	246,939	196,434	248,448
Belle Terre Elementary School.....	57,148	122,042	106,432	72,758
Buddy Taylor Middle School.....	57,448	126,265	110,470	73,243
Bunnell Elementary School.....	30,558	67,961	74,602	23,917
Everest Alternative School .....	-	38,112	17,450	20,662
Exceptional Student Education (ESE).....	4,253	1,710	894	5,069
Flagler Palm Coast High School.....	276,703	812,231	765,613	323,321
Indian Trails K-8 School.....	161,239	134,018	125,505	169,752
Matanzas High School.....	226,484	478,325	485,696	219,113
Old Kings Elementary School.....	114,548	120,550	104,160	130,938
Pathways Academy.....	4,166	-	4,166	-
Phoenix Academy.....	-	22,121	19,160	2,961
Rymfire Elementary School.....	85,559	71,897	71,193	86,263
Student Services.....	14,530	20,211	22,456	12,285
Wadsworth Elementary School.....	91,694	98,195	106,639	83,250
<b>Total assets.....</b>	<b><u>1,322,273</u></b>	<b><u>2,427,808</u></b>	<b><u>2,241,313</u></b>	<b><u>1,508,768</u></b>
<b>Liabilities and Net Position:</b>				
<b>Liabilities:</b>				
Due to student/teacher/parent groups.....	<u>1,322,273</u>	<u>2,427,808</u>	<u>2,241,313</u>	<u>1,508,768</u>
<b>Net Position.....</b>	<b><u>\$ -</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

**DISTRICT SCHOOL INTERNAL ACTIVITY FUNDS**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
**SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION -**  
**ADMINISTRATIVE OFFICE**  
For the Fiscal Year Ended June 30, 2013

**Schedule 2**

	July 1, 2012	Additions	Deductions	Interfund Transfers In (Out)	June 30, 2013
<b>Assets:</b>					
<b>Cash and Cash Equivalents:</b>					
Trusts.....	\$ -	17,508	13,754	-	3,754
General.....	-	49,723	16,689	-	33,034
Total assets.....	-	67,231	30,443	-	36,788
<b>Liabilities and Net Position:</b>					
<b>Liabilities:</b>					
Due to internal accounts.....	-	67,231	30,443	-	36,788
Net Position.....	\$ -	-	-	-	-



**DISTRICT SCHOOL INTERNAL ACTIVITY FUNDS**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
**SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION -**  
**ADULT & COMMUNITY EDUCATION**  
For the Fiscal Year Ended June 30, 2013

**Schedule 3**

	July 1, 2012	Additions	Deductions	Interfund Transfers In (Out)	June 30, 2013
<b>Assets:</b>					
<b>Cash and Cash Equivalents:</b>					
Classes.....	\$ 29,135	15,158	9,349	(13,556)	21,388
Trusts.....	35,469	106,231	78,373	31,030	94,357
General.....	<u>133,339</u>	<u>125,550</u>	<u>108,712</u>	<u>(17,474)</u>	<u>132,703</u>
Total assets.....	<u>197,943</u>	<u>246,939</u>	<u>196,434</u>	<u>-</u>	<u>248,448</u>
<b>Liabilities and Net Position:</b>					
<b>Liabilities:</b>					
Due to internal accounts.....	<u>197,943</u>	<u>246,939</u>	<u>196,434</u>	<u>-</u>	<u>248,448</u>
Net Position.....	<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 POSITION -**  
**BELLE TERRE ELEMENTARY SCHOOL**  
For the Fiscal Year Ended June 30, 2013

**Schedule 4**

	July 1, 2012	Additions	Deductions	Interfund Transfers In (Out)	June 30, 2013
<b>Assets:</b>					
<b>Cash and Cash Equivalents:</b>					
Athletics.....	\$ 1,351	514	514	(1,351)	-
Music.....	524	3,004	2,833	147	842
Classes.....	1,866	10,220	7,488	4,541	9,139
Clubs.....	3,338	15,247	11,071	(1,519)	5,995
Departments.....	3,971	34,140	31,852	5,790	12,049
Trusts.....	20,072	29,124	27,776	(18,939)	2,481
General.....	<u>26,026</u>	<u>29,793</u>	<u>24,898</u>	<u>11,331</u>	<u>42,252</u>
Total assets.....	<u>57,148</u>	<u>122,042</u>	<u>106,432</u>	<u>-</u>	<u>72,758</u>
<b>Liabilities and Net Position:</b>					
<b>Liabilities:</b>					
Due to internal accounts.....	<u>57,148</u>	<u>122,042</u>	<u>106,432</u>	<u>-</u>	<u>72,758</u>
Net Position.....	<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 POSITION -**  
**BUDDY TAYLOR MIDDLE SCHOOL**  
For the Fiscal Year Ended June 30, 2013

**Schedule 5**

	July 1, 2012	Additions	Deductions	Interfund Transfers In (Out)	June 30, 2013
<b>Assets:</b>					
<b>Cash and Cash Equivalents:</b>					
Music.....	\$ 6,304	29,906	27,876	-	8,334
Classes.....	-	10,739	10,026	5,239	5,952
Clubs.....	7,987	7,037	7,486	3,176	10,714
Departments.....	10,042	41,510	23,171	9,934	38,315
Trusts.....	5,926	12,529	12,810	(5,033)	612
General.....	<u>27,189</u>	<u>24,544</u>	<u>29,101</u>	<u>(13,316)</u>	<u>9,316</u>
Total assets.....	<u>57,448</u>	<u>126,265</u>	<u>110,470</u>	<u>-</u>	<u>73,243</u>
<b>Liabilities and Net Position:</b>					
<b>Liabilities:</b>					
Due to internal accounts.....	<u>57,448</u>	<u>126,265</u>	<u>110,470</u>	<u>-</u>	<u>73,243</u>
Net Position.....	<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 POSITION -**  
**BUNNELL ELEMENTARY SCHOOL**  
For the Fiscal Year Ended June 30, 2013

**Schedule 6**

	July 1, 2012	Additions	Deductions	Interfund Transfers In (Out)	June 30, 2013
<b>Assets:</b>					
<b>Cash and Cash Equivalents:</b>					
Athletics.....	\$ 280	-	-	(280)	-
Music.....	54	1,262	1,298	279	297
Classes.....	2,674	2,495	1,917	188	3,440
Clubs.....	2,058	16,539	17,542	849	1,904
Departments.....	1,527	16,436	22,228	17,820	13,555
Trusts.....	7,707	28,370	27,909	(6,099)	2,069
General.....	<u>16,258</u>	<u>2,859</u>	<u>3,708</u>	<u>(12,757)</u>	<u>2,652</u>
Total assets.....	<u>30,558</u>	<u>67,961</u>	<u>74,602</u>	<u>-</u>	<u>23,917</u>
<b>Liabilities and Net Position:</b>					
<b>Liabilities:</b>					
Due to internal accounts.....	<u>30,558</u>	<u>67,961</u>	<u>74,602</u>	<u>-</u>	<u>23,917</u>
Net Position.....	<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 POSITION -**  
**EVEREST ALTERNATIVE SCHOOL**  
**For the Fiscal Year Ended June 30, 2013**

**Schedule 7**

	July 1, 2012	Additions	Deductions	Interfund Transfers In (Out)	June 30, 2013
<b>Assets:</b>					
<b>Cash and Cash Equivalents:</b>					
Classes.....	\$ -	1,382	-	-	1,382
Clubs.....	-	5,714	5,603	-	111
Departments.....	-	7,834	3,675	-	4,159
Trusts.....	-	21,620	7,601	-	14,019
General.....	-	<u>1,562</u>	<u>571</u>	-	<u>991</u>
Total assets.....	-	<u>38,112</u>	<u>17,450</u>	-	<u>20,662</u>
<b>Liabilities and Net Position:</b>					
<b>Liabilities:</b>					
Due to internal accounts.....	-	<u>38,112</u>	<u>17,450</u>	-	<u>20,662</u>
Net Position.....	\$ <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 POSITION -**  
**EXCEPTIONAL STUDENT EDUCATION (ESE)**  
For the Fiscal Year Ended June 30, 2013

**Schedule 8**

	July 1, 2012	Additions	Deductions	Interfund Transfers In (Out)	June 30, 2013
<b>Assets:</b>					
Cash and Cash Equivalents:					
Trusts.....	\$ 4,253	1,710	894	-	5,069
Total assets.....	4,253	1,710	894	-	5,069
<b>Liabilities and Net Position:</b>					
<b>Liabilities:</b>					
Due to internal accounts.....	4,253	1,710	894	-	5,069
Net Position.....	\$ -	-	-	-	-

**DISTRICT SCHOOL INTERNAL ACTIVITY FUNDS**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
**SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION -**  
**FLAGLER PALM COAST HIGH SCHOOL**  
For the Fiscal Year Ended June 30, 2013

**Schedule 9**

	July 1, 2012	Additions	Deductions	Interfund Transfers In (Out)	June 30, 2013
<b>Assets:</b>					
<b>Cash and Cash Equivalents:</b>					
Athletics.....	\$ 72,091	333,354	310,787	(8,071)	86,587
Music.....	10,154	35,315	31,230	(308)	13,931
Classes.....	11,786	15,884	14,439	2,420	15,651
Clubs.....	44,912	154,212	139,829	39,949	99,244
Departments.....	11,693	92,784	79,207	10,061	35,331
Trusts.....	78,639	121,577	119,107	(36,886)	44,223
General.....	<u>47,428</u>	<u>59,105</u>	<u>71,014</u>	<u>(7,165)</u>	<u>28,354</u>
Total assets.....	<u>276,703</u>	<u>812,231</u>	<u>765,613</u>	<u>-</u>	<u>323,321</u>
<b>Liabilities and Net Position:</b>					
<b>Liabilities:</b>					
Due to internal accounts.....	<u>276,703</u>	<u>812,231</u>	<u>765,613</u>	<u>-</u>	<u>323,321</u>
Net Position.....	<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 POSITION -**  
**INDIAN TRAILS K-8 SCHOOL**  
For the Fiscal Year Ended June 30, 2013

**Schedule 10**

	July 1, 2012	Additions	Deductions	Interfund Transfers In (Out)	June 30, 2013
<b>Assets:</b>					
<b>Cash and Cash Equivalents:</b>					
Athletics.....	\$ 10,511	8,533	9,074	-	9,970
Music.....	17,341	17,955	13,246	(4,464)	17,586
Classes.....	21,317	53,491	51,148	13,378	37,038
Clubs.....	1,726	6,850	4,991	(688)	2,897
Departments.....	17,009	20,846	21,761	28,551	44,645
Trusts.....	3,182	11,749	11,039	(3,126)	766
General.....	<u>90,153</u>	<u>14,594</u>	<u>14,246</u>	<u>(33,651)</u>	<u>56,850</u>
Total assets.....	<u>161,239</u>	<u>134,018</u>	<u>125,505</u>	<u>-</u>	<u>169,752</u>
<b>Liabilities and Net Position:</b>					
<b>Liabilities:</b>					
Due to internal accounts.....	<u>161,239</u>	<u>134,018</u>	<u>125,505</u>	<u>-</u>	<u>169,752</u>
Net Position.....	<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 POSITION -**  
**MATANZAS HIGH SCHOOL**  
For the Fiscal Year Ended June 30, 2013

**Schedule 11**

	July 1, 2012	Additions	Deductions	Interfund Transfers In (Out)	June 30, 2013
<b>Assets:</b>					
<b>Cash and Cash Equivalents:</b>					
Athletics.....	\$ 44,011	206,801	202,833	(5,364)	42,615
Music.....	4,813	13,214	11,777	1,193	7,443
Classes.....	1,918	37,957	34,308	6,821	12,388
Clubs.....	29,699	94,871	84,852	21,859	61,577
Departments.....	25,998	80,663	121,408	53,545	38,798
Trusts.....	21,032	30,101	28,050	(18,037)	5,046
General.....	<u>99,013</u>	<u>14,718</u>	<u>2,468</u>	<u>(60,017)</u>	<u>51,246</u>
Total assets.....	<u>226,484</u>	<u>478,325</u>	<u>485,696</u>	<u>-</u>	<u>219,113</u>
<b>Liabilities and Net Position:</b>					
<b>Liabilities:</b>					
Due to internal accounts.....	<u>226,484</u>	<u>478,325</u>	<u>485,696</u>	<u>-</u>	<u>219,113</u>
Net Position.....	<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 POSITION -**  
**OLD KINGS ELEMENTARY SCHOOL**  
For the Fiscal Year Ended June 30, 2013

**Schedule 12**

	July 1, 2012	Additions	Deductions	Interfund Transfers In (Out)	June 30, 2013
<b>Assets:</b>					
<b>Cash and Cash Equivalents:</b>					
Athletics.....	\$ 1,802	1,877	-	(3,679)	-
Music.....	3,893	9,444	5,304	316	8,349
Classes.....	1,555	3,200	5,474	3,579	2,860
Clubs.....	506	13,656	9,686	5,771	10,247
Departments.....	16,911	44,510	48,340	5,474	18,555
Trusts.....	4,335	19,642	19,281	(2,169)	2,527
General.....	<u>85,546</u>	<u>28,221</u>	<u>16,075</u>	<u>(9,292)</u>	<u>88,400</u>
Total assets.....	<u>114,548</u>	<u>120,550</u>	<u>104,160</u>	<u>-</u>	<u>130,938</u>
<b>Liabilities and Net Position:</b>					
<b>Liabilities:</b>					
Due to internal accounts.....	<u>114,548</u>	<u>120,550</u>	<u>104,160</u>	<u>-</u>	<u>130,938</u>
Net Position.....	<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 POSITION -**  
**PATHWAYS ACADEMY**  
For the Fiscal Year Ended June 30, 2013

**Schedule 13**

	July 1, 2012	Additions	Deductions	Interfund Transfers In (Out)	June 30, 2013
Assets:					
Cash and Cash Equivalents:					
Departments.....	\$ -	-	-	-	-
Trusts.....	1,206	-	1,206	-	-
General.....	<u>2,960</u>	<u>-</u>	<u>2,960</u>	<u>-</u>	<u>-</u>
Total assets.....	<u>4,166</u>	<u>-</u>	<u>4,166</u>	<u>-</u>	<u>-</u>
Liabilities and Net Position:					
Liabilities:					
Due to internal accounts.....	<u>4,166</u>	<u>-</u>	<u>4,166</u>	<u>-</u>	<u>-</u>
Net Position.....	<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 POSITION -**  
**PHOENIX ACADEMY**  
For the Fiscal Year Ended June 30, 2013

**Schedule 14**

	July 1, 2012	Additions	Deductions	Interfund Transfers In (Out)	June 30, 2013
<b>Assets:</b>					
<b>Cash and Cash Equivalents:</b>					
Departments.....	\$ -	4,347	3,343	-	1,004
Trusts.....	-	3,330	3,016	-	314
General.....	-	<u>14,444</u>	<u>12,801</u>	-	<u>1,643</u>
Total assets.....	-	<u>22,121</u>	<u>19,160</u>	-	<u>2,961</u>
<b>Liabilities and Net Position:</b>					
<b>Liabilities:</b>					
Due to internal accounts.....	-	<u>22,121</u>	<u>19,160</u>	-	<u>2,961</u>
Net Position.....	\$ <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 POSITION -**  
**RYMFIRE ELEMENTARY SCHOOL**  
For the Fiscal Year Ended June 30, 2013

**Schedule 15**

	July 1, 2012	Additions	Deductions	Interfund Transfers In (Out)	June 30, 2013
<b>Assets:</b>					
<b>Cash and Cash Equivalents:</b>					
Athletics.....	\$ 276	-	-	(276)	-
Music.....	13	-	-	28	41
Classes.....	186	3,336	1,813	2,646	4,355
Clubs.....	4,673	13,506	12,456	144	5,867
Departments.....	2,834	17,512	26,210	19,157	13,293
Trusts.....	5,019	25,538	23,232	(4,499)	2,826
General.....	<u>72,558</u>	<u>12,005</u>	<u>7,482</u>	<u>(17,200)</u>	<u>59,881</u>
Total assets.....	<u>85,559</u>	<u>71,897</u>	<u>71,193</u>	<u>-</u>	<u>86,263</u>
<b>Liabilities and Net Position:</b>					
<b>Liabilities:</b>					
Due to internal accounts.....	<u>85,559</u>	<u>71,897</u>	<u>71,193</u>	<u>-</u>	<u>86,263</u>
Net Position.....	<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 POSTION -**  
**STUDENT SERVICES**  
For the Fiscal Year Ended June 30, 2013

**Schedule 16**

	July 1, 2012	Additions	Deductions	Interfund Transfers In (Out)	June 30, 2013
<b>Assets:</b>					
<b>Cash and Cash Equivalents:</b>					
Trusts.....	\$ 8,824	9,833	14,564	-	4,093
General.....	<u>5,706</u>	<u>10,378</u>	<u>7,892</u>	<u>-</u>	<u>8,192</u>
Total assets.....	<u>14,530</u>	<u>20,211</u>	<u>22,456</u>	<u>-</u>	<u>12,285</u>
<b>Liabilities and Net Position:</b>					
<b>Liabilities:</b>					
Due to internal accounts.....	<u>14,530</u>	<u>20,211</u>	<u>22,456</u>	<u>-</u>	<u>12,285</u>
Net Position.....	<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 POSITION -**  
**WADSWORTH ELEMENTARY SCHOOL**  
For the Fiscal Year Ended June 30, 2013

**Schedule 17**

	July 1, 2012	Additions	Deductions	Interfund Transfers In (Out)	June 30, 2013
<b>Assets:</b>					
<b>Cash and Cash Equivalents:</b>					
Athletics.....	\$ 244	-	-	(244)	-
Music.....	578	1,310	845	190	1,233
Classes.....	70	1,856	5,493	3,851	284
Clubs.....	381	4,997	4,367	(307)	704
Departments.....	964	40,482	57,185	75,772	60,033
Trusts.....	9,194	35,089	27,440	(11,367)	5,476
General.....	<u>80,263</u>	<u>14,461</u>	<u>11,309</u>	<u>(67,895)</u>	<u>15,520</u>
Total assets.....	<u>91,694</u>	<u>98,195</u>	<u>106,639</u>	<u>-</u>	<u>83,250</u>
<b>Liabilities and Net Position:</b>					
<b>Liabilities:</b>					
Due to internal accounts.....	<u>91,694</u>	<u>98,195</u>	<u>106,639</u>	<u>-</u>	<u>83,250</u>
Net Position.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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***COMPLIANCE SECTION***

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

**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***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined statement of fiduciary net position and statement of changes in fiduciary net position 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, 2013, and have issued our report thereon dated August 15, 2013.

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

In planning and performing our audit of the financial statements, we considered the School District of Flagler County, Florida'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 School District of Flagler County, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District of Flagler County, Florida'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 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 consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be *significant deficiencies*, which are listed as items A.1 through A.6.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District of Flagler County, Florida's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 as items A.7 and items B.1 through B.15.

### **The School District of Flagler County, Florida's Response to Findings**

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. The School District of Flagler County, Florida's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

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

August 15, 2013

**DISTRICT SCHOOL INTERNAL ACTIVITY FUND**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
For the Fiscal Year Ended June 30, 2013

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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.

Currently, 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 and bank statements 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's *Financial and Program Cost Accounting and Reporting for Florida Schools*, Chapter 8, Section II(8).

To further reduce risk associated with the inability of each school to have physical segregation of duties, we also recommend that recording of all adjustments to cash accounts in each school's accounting system be performed by District Finance Department personnel.

We continue to suggest that actions 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). Additionally, we recommend that use of store and bank credit cards be controlled by a formal requisition form, to be approved by the Principal prior to the card being checked-out by the requestor. At no time should the employee responsible for writing checks or reconciliation of accounts have authorization to use these credit cards.

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

**DISTRICT SCHOOL INTERNAL ACTIVITY FUND**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
For the Fiscal Year Ended June 30, 2013

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applicable procedures contained in the District's *Fiscal Management Policies* and *Internal Accounts Procedures Manual (July 2010)*, as well as the Florida Department of Education's *Financial and Program Cost Accounting and Reporting for Florida Schools*.

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

**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 many 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(VII)], 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 five (5) working days of collection.

During our tests of the individual schools' cash receipts systems, we continued to note 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 15 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, as is currently in place for cafeteria collections. 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.

Although we have noted 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

**DISTRICT SCHOOL INTERNAL ACTIVITY FUND**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
For the Fiscal Year Ended June 30, 2013

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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 (i.e., review of receipt books by the bookkeeper during the receipting/verification process);
- 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:* Each individual school uses its own discretion in determining who to use for banking services. Many of the banks do not offer complimentary armored banking courier services. Due to budget constraints, it is currently not feasible to hire an external courier service at this time.

*The District will continue to monitor and recommend improvements to school principals and bookkeepers.*

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

The Florida Department of Education's *Redbook 2012* 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 improvement with regards to pre-approval of specific orders to vendors, although there is not always a pre-approval form completed for use of store and bank credit cards. Formal procedures for credit purchases should be practiced, as is mandated by the District's *Internal Accounts Procedures Manual*.

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

The District's 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

**DISTRICT SCHOOL INTERNAL ACTIVITY FUND**  
**SCHOOL DISTRICT OF FLAGLER COUNTY, FLORIDA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
For the Fiscal Year Ended June 30, 2013

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has not yet been implemented. 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: The District will continue to monitor compliance with policies and procedures for the disbursement of internal activities account funds and make recommendations as deemed necessary.*

*The District is currently piloting the purchase order system at some schools during the 2013-14 fiscal year. We anticipate that all locations will be fully utilizing the purchase order system at the start of the 2014-15 fiscal year.*

**4. Use of Bank Debit Cards, Store and Bank 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, as well as increased use of the individual schools' bank account debit cards. 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 help to reduce the risk of unauthorized purchases.

We also noted that three schools had corporate bank credit card accounts opened during the school year; however, the bank required that individual administrative personnel be named on the accounts, and that a fairly high interest rate was listed on the monthly statements we reviewed. Interviews with Finance Department personnel revealed that the bank set up the wrong type of credit card accounts, and that the situation will be rectified, immediately.

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 and bank credit accounts, as well as the use of schools' bank account debit cards. The State of Florida Administrative Code 6A-1.021 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. We also recommend that until a formal government purchasing card control system is implemented, all use of store and bank credit cards be closely monitored by school Principals or their administrative designee.

*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.*



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**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 item, and 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 improvement in the preparation, retention and reconciliation of the District's *Fundraising Form*.

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*.

Auditee Response: *The District will continue to review procedures for the proper handling of fundraiser activities, and additional training will be provided as needed.*

**6. Financial Reporting System and Chart of Accounts**

On July 1, 2012 the District implemented the Skyward financial accounting software for internal accounts reporting. After interviews with school bookkeepers and examination of the individual schools' financial reports, we noted that expanded training is needed for many functions of the new software (i.e., access to certain reports, use of sub-accounts for management analysis purposes, etc.).

We also noted that at most schools the Principal's signed monthly financial reports were not generated and submitted to the Finance Department for review, which is mandated by School Board Policy 705(IX), as was the case in past years. It appears that this may be due to there being no corresponding report in Skyward that lists total receipts (with cash adjustments added), total disbursements (with cash adjustments added), total interfund transfers, and adjusted ending balance for each fund in the accepted format for internal accounts financial reporting. At a subsequent meeting with Finance Department personnel, we were informed that a monthly customized report would be created to meet this requirement.

Recommendation: We recommend expanded bookkeeper training for use of the newly-implemented Skyward financial accounting software, with emphasis on report design and sub-account use.

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Chart of Accounts

With the implementation of the Skyward software, Finance Department personnel designed a uniform Chart of Accounts, with a list of sub-accounts, to be used District-wide. During our examination we noted that several accounts were not coded in accordance with Florida Department of Education's *Financial and Program Cost Accounting and Reporting for Florida Schools*, Chapter 8, Section III, (2.0) and Section IV. We also noted that when a school owned more than one bank account (i.e., checking and money market), the balances of these bank accounts were co-mingled into one cash account number in the accounting software, thus increasing risk of error during preparation of monthly bank account reconciliations.

During our examination of disbursements, we noted that whenever checks for change funds were disbursed to coaches, teachers, and sponsors for use at their various events, all change fund disbursements were charged against the fund assigned to that activity, instead of posting the check—as a cash transfer—to a Change Fund account. A Change Fund account should be created within the cash accounts section (assets) of the accounting software. This practice of posting change fund checks to an activity account as an expense, instead of a cash transfer, understates the balance of funds available for that particular activity as long as those change funds are outstanding. Also, for financial reporting purposes, total receipts and disbursements for those activities are subsequently overstated on the interim and yearend reports. Another benefit to having a separate asset account for outstanding change funds gives management a ready tool to trace unreturned change funds, as well as the ability to correct returned change funds erroneously recorded as receipts.

Recommendation: We recommend that review of the new Chart of Accounts be made to rectify any inadvertent misclassifications, with subsequent interfund transfers made from old accounts to the newly reclassified accounts. We also recommend that separate accounts be created for bank, money market, and other cash and investment accounts within each school's Chart of Accounts. We further recommend that a new cash (asset) account be created -- entitled "Change Funds" -- and procedures written for its proper use, as defined in Section V of the Florida Department of Education's *Financial and Program Cost Accounting and Reporting for Florida Schools*.

Auditee Response: *The District will review the Chart of Accounts and correct any misclassifications, as well as ensure there are separate general ledger accounts for each bank account. In addition, separate general ledger accounts will be set up for the change funds to ensure the accounting for these funds is properly handled.*

**7. Training Programs and Expanded Procedures**

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

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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 and training.

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 and bank 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 to provide ongoing training.*

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

*1. Administrative Office, 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.*

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

- a. See summary of District-wide comments in Section A, attached.
- b. During our examination, we noted instances where blank checks were being pre-signed for emergency use when one of the two authorized signers was unavailable. The Florida Department of Education's *Financial and Program Cost Accounting and Reporting for Florida Schools (Redbook 2012)* states that "under no circumstances shall checks be pre-signed". In order to avoid this compliance issue, we suggest that an additional District-approved signer be added to the bank account's signature card.
- c. We noted that 10% of cash disbursements tested did not have a vendor's invoice or sales receipt to support the issuance of a check or the subsequent disbursement of funds. Purchase Order and Check Requisition forms should be appropriately completed and are required to be substantiated by an invoice or signed receipt, in accordance with State of Florida and District policies.

*Auditee Response: An additional District-approved bank signer has been added to the bank account's signature card, which has now alleviated the pre-signing of checks.*

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

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**3. Belle Terre 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 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 8, Section III, 1.4(b) and the Flagler County School Board's Policy No. 705(VII) 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.*

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

- a. See summary of District-wide comments in Section A, attached.
- b. We noted 30% 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 8, Section III, 1.4(a) and the Flagler County School Board's Policy No. 705(VII) 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.
- c. We noted that 6% 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 8, Section III, 1.4(b) and the Flagler County School Board's Policy No. 705(VII) 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.

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

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**5. *Bunnell Elementary School, Bunnell, FL***

- a. See summary of District-wide comments in Section A, attached.
- b. We noted that 20% 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 8, Section III, 1.4(b) and the Flagler County School Board's Policy No. 705(VII) 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 that Fundraising forms were not being appropriately completed by the sponsors for fundraising activities and retained on file by the principal's designee, in accordance with District Finance department procedures. The District's *Fundraising Form* reveals to the principal a description and date(s) of the fundraiser, sales and cost estimates, total collections (which should always correspond to deposits made to the appropriate internal activity fund), and a net profit computation. Incomplete or missing reports make it impossible for the principal and bookkeeper to determine if the fundraiser was profitable, and whether the collections were timely submitted for deposit. We recommend training for fundraising sponsors, at least annually, to include Board fundraising policies, District procedures and instructions for completion of the Fundraising Form.

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



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**6. *Everest Alternative School, Palm Coast, FL***

d. 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.*

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**7. *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.*

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**8. *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 8, Section III, 1.4(b) and the Flagler County School Board's Policy No. 705(VII) 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.
- c. We noted 24% of cash receipts randomly tested (one-half of this 24% represented yearbook collections) had either incomplete individual cash receipt forms, report of monies collected forms, or the corresponding individual cash receipt forms were unavailable for our examination, in accordance with the Florida Department of Education *Financial and Program Cost Accounting and Reporting for Florida Schools*, Chapter 8, Section III, 1.4(a) and the Flagler County School Board's Policy No. 705(VII) 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 accurately 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.
- d. During our random testing of *Fundraising Forms*, we noted that 4% of those tested were not being appropriately completed by the sponsors for fundraising activities and retained on file by the principal's designee, in accordance with District Finance Department procedures. The District's *Fundraising Form* reveals to the principal a description and date(s) of the fundraiser, sales and cost estimates, total collections (which should always correspond to deposits made to the appropriate internal activity fund), and a net profit computation. Incomplete or missing reports make it impossible for the principal and bookkeeper to determine if the fundraiser was profitable, and whether the collections were timely submitted for deposit. We recommend training for all fundraising sponsors, at least annually, to include Board fundraising policies, District procedures and instructions for completion of the Fundraising Form.
- e. During our examination of *Ticket Sellers Reports*, we noted instances where the District-authorized forms were not always being appropriately completed in accordance with District Finance Department procedures. The District's *Ticket Sellers Report* reveals to the principal a description and date of an event, ticket color, ticket numerical sequence issued, number of tickets sold, and price per ticket (when this information is properly completed, total sales should be calculated and then reconciled to the actual cash deposited, less any gate change, with shortages or overages being explained and documented). Incomplete or missing reports make it impossible for the principal and bookkeeper to determine whether all collections were

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timely submitted for deposit, intact. We recommend training for all teachers/sponsors who hold events requiring sales of pre-numbered tickets, at least annually, to include Board ticket selling policies, District procedures, and instructions for accurate completion of the *Ticket Sellers Report*.

- f. During our examination, we noted instances where purchases were made on behalf of an individual; who later reimbursed the school in full. The 2012 Florida Department of Education, Redbook, Chapter 8, Section 3.5 (6), states that loans, credit, or accommodation purchases for anyone (student, employee, or other person), from internal accounts is considered a restricted expenditure, and is deemed inappropriate. Further, Flagler County School Board Policy No. 705, (VII)(b), states that School Board employees or others shall not make purchases for personal use through the student body in order to take advantage of student body purchasing privileges, such as tax exemptions, school discounts, and the like.

*Auditee Response:* *The purchases made on behalf of an individual were for another school district, and is an isolated situation. This has been addressed with the individual bookkeeper and such transactions will not occur in the future.*

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

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

- a. See summary of District-wide comments in Section A, attached.
- b. We noted that 10% 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 8, Section III, 1.4(b) and the Flagler County School Board's Policy No. 705(VII) 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.*

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***10. Matanzas High School, 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.*

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***11. Old Kings Elementary School, 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.*

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***12. Phoenix Academy, Palm Coast, FL***

- a. See summary of District-wide comments in Section A, attached.
- b. We noted 30% 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 8, Section III, 1.4(a) and the Flagler County School Board's Policy No. 705(VII) 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.*



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

- a. See summary of District-wide comments in Section A, attached.
- b. We noted that 20% 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 8, Section III, 1.4(b) and the Flagler County School Board's Policy No. 705(VII) 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.*

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***14. 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.*

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

- a. See summary of District-wide comments in Section A, attached.
- b. During our examination of the school's financial records, we noted that the internal accounts bookkeeper, in addition to normal assigned tasks, directly collects the majority of funds for student activities, organizes and implements school-wide and internal PTO fundraisers, and is also the Treasurer for the internal accounts parent-teacher organization. We did note, however, that when the bookkeeper receipted individual funds there was a second-party verification signature on the *Report of Monies Collected*, which adds a layer of oversight to these collections.

The school's ability to control erroneous or inappropriate actions in regards to financial reporting is further hampered by the fact that, as part of normal assigned tasks, the bookkeeper is in charge of receipting collections submitted by teachers/sponsors, the preparation of bank deposits, the recording of internal activity fund transactions in the District's accounting software, disbursing funds, the maintenance of appropriate supporting documentation, and the reconciliation of monthly bank statements. Whenever these assigned bookkeeper tasks are coupled with administering certain school and PTO fundraising activities, there is an increased risk for misstatement of financial reporting due to no controls being in place to segregate the school's internal accounts activities. We recommend that individual collections and fundraising activities by the bookkeeper be limited, insofar as is practical; thereby, allowing for subdivision of work so that no one employee performs a complete cycle of operations, as is mandated by the Florida Department of Education *Financial and Program Cost Accounting and Reporting for Florida Schools*, Chapter 8, Section V – Definition of Internal Controls.

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

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