

INTERNAL AUDITOR'S REPORT
PASCO SCHOOLS' INTERNAL ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ Reporting Entity

Individual Pasco County school's Internal Accounts are maintained under the authority of the District School Board of Pasco County as provided by Section 1011.07, Florida Statutes.

➤ Basis of Presentation

The financial statements are prepared in accordance with generally accepted accounting principles applicable to governmental units, as prescribed by the Governmental Accounting Standard Board.

For financial reporting purposes, the financial activities of the School are included as agency funds in the District's Comprehensive Annual Financial Report.

➤ Basis of Accounting

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

As the Internal Accounts are accounted for as agency fund in the District's Comprehensive Annual Financial Report, the measurement focus is custodial because the fund is not involved with the performance of government activities. An agency fund has no revenues or expenditures and therefore, no net asset balance or need to measure the results of operations for a period.

➤ Cash and Cash Equivalents

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are fully insured by the Federal Deposit Insurance Corporation (FDIC) and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapters 280 and 1011.18, Florida Statutes. Funds held in savings accounts, money market accounts and certificates of deposit are reported as cash.

➤ Accounts Receivable

Accounts Receivable consists of previously deposited checks that have been returned by the bank. Returned checks are those checks that have been deposited into the internal fund bank account but have been returned by the bank primarily due to insufficient funds or closed accounts.

➤ Inventories

Inventories consist of supplies held for resale by the school stores, concession stands and textbooks at the adult centers. Inventories are stated at last invoice price. The costs of inventories are recorded as expenditures when used rather than purchased.

➤ Accounts Payable

Accounts Payable represents the amounts owed by the schools to various vendors, including the District for goods and services received but not paid for by year end.

➤ Internal Accounts Payable

As described above, the internal accounts are reported as an Agency Fund on the District's Comprehensive Annual Financial Report. Agency Funds are used to account for financial resources held by the schools as an agent. Assets accounted for in an agency fund belong to the party or parties (parents and students) for which the school acts as an agent.

Therefore, agency fund assets are offset by liabilities equal in amount. Agency funds do not report net assets. The Internal Accounts Payable amount is the actual excess of assets over liabilities.