

HENDRY COUNTY DISTRICT SCHOOL BOARD

INTERNAL FUND ACCOUNTS
AUDITED FINANCIAL STATEMENT

YEAR ENDED JUNE 30, 2019



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HENDRY COUNTY DISTRICT SCHOOL BOARD
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INDEPENDENT AUDITORS' REPORT

Board Members
Hendry County District School Board
LaBelle, Florida

Report on the Financial Statements

We have audited the accompanying financial statement of the agency fund of the internal fund accounts of the Hendry County District School Board as of June 30, 2019, and the related notes to the financial statement, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statement 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of the agency fund of the internal fund accounts of the Hendry County District School Board as of June 30, 2019, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statement presents only the agency fund of the internal fund accounts and does not purport to, and does not, present fairly the financial position of Hendry County District School Board as of June 30, 2019, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis 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 statement is not affected by this missing information.

Supplementary Information

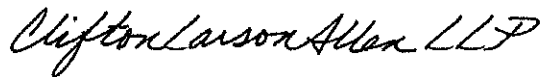
Our audit was conducted for the purpose of forming an opinion on the financial statement that collectively comprises the internal fund account's basic financial statement. The combining statement of receipts, disbursements, transfers, and balances of the internal fund accounts is presented for purposes of additional analysis and is not a required part of the basic financial statement.

The combining statement of receipts, disbursements, transfers, and balances of the internal fund accounts is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statement of receipts, disbursements, transfers, and balances of the internal fund accounts is fairly stated, in all material respects, in relation to the basic financial statement as a whole.

Board Members
Hendry County District School Board

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2019, on our consideration of the Hendry County District School Board's internal fund accounts internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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 District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Sebring, Florida
October 15, 2019

HENDRY COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY NET POSITION
INTERNAL FUND ACCOUNTS — AGENCY FUND
JUNE 30, 2019

ASSETS

Cash	\$ 676,629
Investments	<u>156,233</u>
	<u>\$ 832,862</u>

LIABILITIES

Due to Others	<u>\$ 832,862</u>
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See accompanying Notes to Financial Statement.

**HENDRY COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The internal fund accounts of the Hendry County District School Board (the District) are comprised of 12 individual accounts. There is an account for each of the 12 schools in the District. This financial statement presents only the internal fund accounts and is not intended to present fairly the financial position and results of operations of the District in conformity with accounting principles generally accepted in the United States of America. The internal fund accounts are included in the District's annual financial report as a fiduciary fund.

Basis of Accounting

Basis of accounting refers to when transactions are recognized in the accounts and reported in the financial statements. It is the policy of the District to account for the internal funds of the schools on the accrual basis of accounting. The internal funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Cash and Cash Equivalents

Cash and cash equivalents are defined to include cash on hand as well as demand deposits and investments with original maturities of three months or less from the date of acquisition.

Investments

Internal funds are authorized to invest in certificates of deposit and time deposits of qualified public depositories, securities guaranteed by the U.S. Government, or other investments authorized by Florida Statutes.

NOTE 2 DEPOSITS AND INVESTMENTS

Clewiston Senior High invests its excess cash resources in certificates of deposit. At June 30, 2019, investments consist of certificates of deposit maturing on November 3, 2019, July 21, 2020, September 30, 2020, and October 24, 2021.

Custodial Credit Risk

Custodial credit risk is defined as the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of securities that are in the possession of an outside party. At June 30, 2019, the entire amount of demand deposits is deposited in state of Florida qualified public depositories and is fully insured.

**HENDRY COUNTY DISTRICT SCHOOL BOARD
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
TRANSFERS, AND BALANCES OF THE INTERNAL FUND ACCOUNTS
YEAR ENDED JUNE 30, 2019**

	LaBelle High	Clewiston High	LaBelle Middle	Clewiston Middle	Central Elementary	Eastside Elementary	Westside Elementary
TOTAL ASSETS							
July 1, 2018	\$ 106,468	\$ 425,624	\$ 60,733	\$ 47,051	\$ 41,875	\$ 39,324	\$ 58,841
RECEIPTS							
Athletics	218,538	115,422	19,178	42,347	-	-	-
Music	7,909	220	2,781	1,137	-	-	-
Class, Club, Departments	162,665	206,145	55,963	44,558	90,212	79,152	29,767
Trust Funds	21,233	6,925	1,155	441	7,580	51	108
General	35,207	10,938	45,056	32,526	31,552	39,463	41,388
Total Receipts	445,552	339,650	124,133	121,009	129,344	118,666	71,263
DISBURSEMENTS							
Athletics	220,272	133,503	21,916	32,917	-	-	-
Music	8,190	228	4,617	103	-	-	-
Class, Club, Departments	163,893	322,476	52,974	36,666	93,253	78,490	24,874
Trust Funds	29,809	5,700	1,066	441	11,591	51	107
General	29,959	13,721	35,612	23,067	30,313	39,916	60,854
Total Disbursements	452,123	475,628	116,185	93,194	135,157	118,457	85,835
TRANSFERS							
Athletics	(2,369)	680	-	-	-	-	-
Music	500	-	-	-	-	-	-
Class, Club, Departments	(837)	(4,280)	2,924	-	-	-	-
Trust Funds	(3,109)	-	-	-	(10,869)	-	-
General	5,815	3,600	(2,924)	-	10,869	-	-
Total Transfers	-	-	-	-	-	-	-
TOTAL ASSETS							
June 30, 2019	<u>\$ 99,897</u>	<u>\$ 289,646</u>	<u>\$ 68,681</u>	<u>\$ 74,866</u>	<u>\$ 36,062</u>	<u>\$ 39,533</u>	<u>\$ 44,269</u>

**HENDRY COUNTY DISTRICT SCHOOL BOARD
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
TRANSFERS, AND BALANCES OF THE INTERNAL FUND ACCOUNTS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

	LaBelle Elementary	Country Oaks Elementary	Upthegrove Elementary	LaBelle Adult	Clewiston Adult	Total
TOTAL ASSETS						
July 1, 2018	\$ 29,674	\$ 21,571	\$ 42,227	\$ 4,193	\$ 61,988	\$ 939,569
RECEIPTS						
Athletics	-	-	-	-	-	395,485
Music	1,283	3,908	-	-	-	17,238
Class, Club, Departments	18,052	50,488	50,319	-	-	787,321
Trust Funds	-	2,892	6,380	10,186	102,280	159,231
General	29,324	8,182	9,508	-	15,000	298,144
Total Receipts	48,659	65,470	66,207	10,186	117,280	1,657,419
DISBURSEMENTS						
Athletics	-	-	-	-	-	408,608
Music	2,073	4,445	193	-	-	19,849
Class, Club, Departments	16,122	51,299	52,514	-	-	892,561
Trust Funds	-	2,034	6,000	9,750	77,785	144,334
General	35,601	8,661	9,411	1,032	10,627	298,774
Total Disbursements	53,796	66,439	68,118	10,782	88,412	1,764,126
TRANSFERS						
Athletics	-	-	-	-	-	(1,689)
Music	-	-	-	-	-	500
Class, Club, Departments	-	-	(213)	-	-	(2,406)
Trust Funds	-	-	-	-	-	(13,978)
General	-	-	213	-	-	17,573
Total Transfers	-	-	-	-	-	-
TOTAL ASSETS						
June 30, 2019	\$ 24,537	\$ 20,602	\$ 40,316	\$ 3,597	\$ 90,856	\$ 832,862



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**INDEPENDENT AUDITORS' 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**

Board Members
Hendry County District School Board
LaBelle, 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 financial statement of the agency fund of the internal fund accounts of the Hendry County District School Board (internal fund accounts), as of June 30, 2019, and the related notes to the financial statement, which collectively comprise the internal fund accounts basic financial statements, and have issued our report thereon dated October 15, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the internal fund accounts' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the internal fund accounts' internal control. Accordingly, we do not express an opinion on the effectiveness of the internal fund accounts' 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 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.

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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2019-001, 2019-002, 2019-003, and 2019-004 that we consider to be material weaknesses.

Compliance and Other Matters

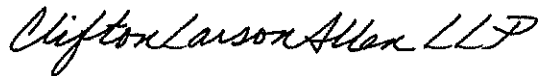
As part of obtaining reasonable assurance about whether the Internal fund accounts' financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Hendry County District School Board's Response to Findings

Hendry County District School Board's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Hendry County District School Board's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

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 results 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.

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CliftonLarsonAllen LLP

Sebring, Florida
October 15, 2019

HENDRY COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019

PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Prior Year Findings		Current Year Status
2018-001 <u>Receipts</u> Receipts were not turned in to the school office within the one working day limit established by Redbook and District policy.	Material Weakness	Not Cleared
2018-002 <u>Propriety of Disbursements</u> <i>Disbursements were made for items that are considered unallowable expenditures of internal funds.</i>	Material Weakness	Not Cleared

**HENDRY COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2019**

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2019-001 – Timeliness of Receipts

Type of Finding:

Material Weakness in Internal Control over Financial Reporting

Schools:

Clewiston High School, LaBelle High School, LaBelle Middle School, LaBelle Elementary School

Condition:

Cash receipts collected outside of the school office were not turned in to the school office within the one working day limit set forth Redbook Chapter 8 and District policy. Additionally, receipts were not deposited in the bank within five business days as required by Redbook and District policy. For Clewiston High School, several instances were noted where only two deposits were made in a month.

Criteria:

Redbook Chapter 8 requires that funds collected outside the school office must be turned in to the front office no later than the next working day and deposited in the bank within 5 business days.

Cause:

Teachers and sponsors accumulate funds for several days before turning the money in to the front office and making a deposit. Bookkeepers do not make timely deposits.

Effect:

Misappropriation of funds may occur by error or fraud if receipts are not promptly turned in to the school office and secured until timely deposit.

Recommendation:

All funds collected outside of the school office should be turned in to the front office no later than the next working day and deposited to the bank within five business days, as outlined in District policy and Redbook Chapter 8.

Management Response:

Not depositing cash or checks in a timely basis has a risk of loss of funds. Therefore, on September 26, 2019, all principals and bookkeepers were sent an email advising them that of the importance of timeliness of depositing funds within five days of receipt, and turning them in within one day. In addition, the affected schools were contacted individually to ensure that they knew the importance of this. Continued diligence and working closely with sponsors will be key to ensuring that this problem doesn't recur. All schools have committed to comply with the funds collection policy.

**HENDRY COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2019**

2019-002 – Propriety of Disbursements

Type of Finding:

Material Weakness in Internal Control over Financial Reporting

Schools:

LaBelle High School, Clewiston Middle School, Upthegrove Elementary School

Condition:

Disbursements were made for items that are considered unallowable expenditures of internal funds.

Criteria:

Redbook Chapter 8 requires that funds disbursed be for the benefit of students or made from funds collected for a specific purpose. Internal accounts funds may not be used to purchase curricular related equipment, supplies, travel, professional services, technical services, or consultant services.

Cause:

School personnel may not understand the restrictions on use of internal accounts funds.

Effect:

Funds designed to be used for students or other specific purposes were used for purposes not allowed by the Red Book or District policy.

Recommendation:

School personnel should be trained on the allowable uses of internal funds. All funds disbursed should be within the guidelines outlined in the District policy and Redbook Chapter 8. Funds used for the benefit of teachers and faculty should only be spent from receipts derived from faculty and staff collections.

Management Response:

There were four schools, each having one or two infractions where the funds should have come from General, not Internal, totaling \$505. I contacted each of the schools on October 1 and 2 individually to make sure they were aware to not do that in the future. Separately, each bookkeeper has been sent another copy of Chapter 8 of the Redbook to ensure that they are regularly reminded of what is, and what is not an eligible disbursement. For the four ineligible disbursements, the internal account will be reimbursed this year.

**HENDRY COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2019**

2019-003 – Documentation of Disbursements and Receipts

Type of Finding:

Material Weakness in Internal Control over Financial Reporting

Schools:

Clewiston High School, Eastside Elementary School, Labelle Elementary School

Condition:

Redbook and District policies were not consistently followed. Instances noted include:

- Supporting documentation for three disbursements and six receipts selected for testing was not maintained and available for review.
- One check selected for testing was disbursed with a single signature.

Criteria:

- Redbook Chapter 8 requires that all money collected by the school must be substantiated by receipts and reports of monies collected. Evidence supporting all disbursements must be kept on file, which may include purchase orders, detailed invoices, receiving reports, and any other documentation related to the disbursement.
- All checks must be signed with two signatures, one of whom must be the Principal.

Cause:

Supporting documentation, including monies collected forms, receipts, purchase orders, invoices, and checks, was not properly maintained. Authorization procedures were not consistently followed.

Effect:

The risk of misappropriation of cash collected or unauthorized purchases increases when internal control processes over receipts and disbursements are not followed.

Recommendation:

We recommend retaining supporting documentation for receipts and disbursements and authorizing all disbursements as required by Redbook standards and District policies.

Management Response:

All bookkeepers have been sent a reminder regarding the requirement to keep and track supporting documentation, and to always obtain two separate signatures on checks. Although I thought the bank should not have processed a check with only one signature, apparently that is not the case. I reviewed with the bank that checks with only one signature should be rejected, and they said they would try but that they are under no requirement to do so. Bookkeepers were reminded about proper documentation overall.

**HENDRY COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2019**

2019-004 – Fundraising Reports

Type of Finding:

Material Weakness in Internal Control over Financial Reporting

Schools:

Clewiston High School, Clewiston Middle School, Clewiston Elementary School, Labelle High School, Labelle Middle School, Labelle Elementary School, Eastside Elementary School, Westside Elementary School

Condition:

Fundraising reports were not used as set forth by School Board internal fund policy and Redbook Chapter 8.

Criteria:

Redbook Chapter 8 requires that each fundraising activity have the approval of the organization sponsor and the Principal prior to the activity. Additionally, a fundraising report must be filed with the Principal's office at the close of each fundraising activity.

Cause:

The bookkeepers have not fully implemented the requirements for documenting fundraising activities.

Effect:

Documented approval of each fundraiser provides the expectation for both the organization sponsor and Principal before the fundraising activity begins. Completing the fundraising report at the end of the event provides accountability for the money collected as well as ensuring that the fundraiser achieved the specified goal. Principals and organization sponsors cannot properly oversee and monitor fundraisers if the reports are not completed.

Recommendation:

Principals and organization sponsors should document their approval of all fundraisers. Upon completion of the fundraiser, a fundraising report should be filed with the Principals office, as outlined in the District Policy and by Redbook Chapter 8.

Management Response:

Every school principal has been advised that fundraising reports, with documentation of the principal's approval must be retained with the internal accounts. It appears that the documentation does not always show the principal's pre-approval, although it is always obtained. The bookkeepers have committed to retaining that documentation within the internal accounts reporting.