

HENDRY COUNTY DISTRICT SCHOOL BOARD

**INTERNAL FUND ACCOUNTS
AUDITED FINANCIAL STATEMENT**

YEAR ENDED JUNE 30, 2020



CLAconnect.com

**WEALTH ADVISORY
OUTSOURCING
AUDIT, TAX, AND
CONSULTING**

**HENDRY COUNTY DISTRICT SCHOOL BOARD
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2020**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENT	
STATEMENT OF FIDUCIARY NET POSITION	4
NOTES TO FINANCIAL STATEMENT	5
SUPPLEMENTARY STATEMENT	
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, TRANSFERS, AND BALANCES OF THE INTERNAL FUND ACCOUNTS	6
SUPPLEMENTAL REPORTS	
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 <i>GOVERNMENT AUDITING STANDARDS</i>	8
SCHEDULE OF FINDINGS AND RESPONSES	10



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, 2020, 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, 2020, 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, 2020, 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 September 16, 2020, 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.



CliftonLarsonAllen LLP

Sebring, Florida
September 16, 2020

**HENDRY COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY NET POSITION
INTERNAL FUND ACCOUNTS — AGENCY FUND
JUNE 30, 2020**

ASSETS

Cash	\$ 813,112
Investments	154,120
	<u>\$ 967,232</u>

LIABILITIES

Due to Others	<u>\$ 967,232</u>
---------------	-------------------

See accompanying Notes to Financial Statement.

**HENDRY COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2020**

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, 2020, investments consist of certificates of deposit maturing on July 21, 2020, September 30, 2020, November 3, 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, 2020, 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, 2020**

	LaBelle High	Clewiston High	LaBelle Middle	Clewiston Middle	Central Elementary	Eastside Elementary	Westside Elementary
TOTAL ASSETS							
July 1, 2019	\$ 99,897	\$ 289,646	\$ 68,681	\$ 74,866	\$ 36,062	\$ 39,533	\$ 44,269
RECEIPTS							
Athletics	181,661	160,717	26,024	21,327	-	-	-
Music	22,666	1,794	6,790	6,833	-	-	-
Class, Club, Departments	148,779	272,939	36,085	45,858	97,265	51,885	52,529
Trust Funds	17,750	6,045	1,000	111	22,335	-	35
General	20,257	8,655	12,506	13,698	15,243	34,585	29,849
Total Receipts	<u>391,113</u>	<u>450,150</u>	<u>82,405</u>	<u>87,827</u>	<u>134,843</u>	<u>86,470</u>	<u>82,413</u>
DISBURSEMENTS							
Athletics	183,001	145,894	21,120	24,033	-	-	-
Music	18,063	1,799	5,498	5,148	-	-	-
Class, Club, Departments	122,718	207,780	29,907	41,002	81,744	57,252	43,117
Trust Funds	21,779	10,024	856	111	22,648	-	35
General	16,663	8,061	9,892	19,423	17,504	37,335	36,192
Total Disbursements	<u>362,224</u>	<u>373,558</u>	<u>67,273</u>	<u>89,717</u>	<u>121,896</u>	<u>94,587</u>	<u>79,344</u>
TRANSFERS							
Athletics	-	(2,900)	444	-	-	-	-
Music	-	-	-	-	-	-	-
Class, Club, Departments	(630)	3,200	(493)	(109)	-	(125)	(71)
Trust Funds	540	-	-	-	-	-	-
General	90	(300)	49	109	-	125	71
Total Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS							
June 30, 2020	<u>\$ 128,786</u>	<u>\$ 366,238</u>	<u>\$ 83,813</u>	<u>\$ 72,976</u>	<u>\$ 49,009</u>	<u>\$ 31,416</u>	<u>\$ 47,338</u>

**HENDRY COUNTY DISTRICT SCHOOL BOARD
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
 TRANSFERS, AND BALANCES OF THE INTERNAL FUND ACCOUNTS (CONTINUED)
 YEAR ENDED JUNE 30, 2020**

	LaBelle Elementary	Country Oaks Elementary	Upthegrove Elementary	LaBelle Adult	Clewiston Adult	Total
TOTAL ASSETS						
July 1, 2019	\$ 24,537	\$ 20,602	\$ 40,316	\$ 3,597	\$ 90,856	\$ 832,862
RECEIPTS						
Athletics	-	-	-	-	-	389,729
Music	-	1,638	-	-	-	39,721
Class, Club, Departments	6,463	40,631	47,662	-	-	800,096
Trust Funds	-	-	-	11,619	107,727	166,622
General	27,079	3,787	24,059	-	94	189,812
Total Receipts	<u>33,542</u>	<u>46,056</u>	<u>71,721</u>	<u>11,619</u>	<u>107,821</u>	<u>1,585,980</u>
DISBURSEMENTS						
Athletics	-	-	-	-	-	374,048
Music	-	1,399	357	-	-	32,264
Class, Club, Departments	5,197	42,219	44,520	-	-	675,456
Trust Funds	-	5,067	-	388	58,079	118,987
General	30,205	5,597	24,070	3,889	42,024	250,855
Total Disbursements	<u>35,402</u>	<u>54,282</u>	<u>68,947</u>	<u>4,277</u>	<u>100,103</u>	<u>1,451,610</u>
TRANSFERS						
Athletics	-	-	-	-	-	(2,456)
Music	-	-	-	-	-	-
Class, Club, Departments	-	-	4,753	-	-	6,525
Trust Funds	-	-	-	-	-	540
General	-	-	(4,753)	-	-	(4,609)
Total Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS						
June 30, 2020	<u>\$ 22,677</u>	<u>\$ 12,376</u>	<u>\$ 43,090</u>	<u>\$ 10,939</u>	<u>\$ 98,574</u>	<u>\$ 967,232</u>



**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, 2020, 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 September 16, 2020.

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.



CliftonLarsonAllen LLP

Sebring, Florida
September 16, 2020

**HENDRY COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2020**

PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Prior Year Findings		Current Year Status
2019-001 <u>Timeliness of Receipts</u> <i>Receipts were not turned in to the school office within the one working day limit established by Redbook 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.</i>	Material Weakness	Not Cleared
2019-002 <u>Propriety of Disbursements</u> <i>Disbursements were made for items that are considered unallowable expenditures of internal funds.</i>	Material Weakness	Not Cleared
2019-003 <u>Documentation of Disbursements and Receipts</u> <i>Redbook and District policies were not consistently followed.</i>	Material Weakness	Not Cleared
2019-004 <u>Fundraising Reports</u> <i>Fundraising reports were not used as set forth by School Board internal fund policy and Redbook Chapter 8.</i>	Material Weakness	Not Cleared

**HENDRY COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2020**

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2020-001 – Timeliness of Receipts

Type of Finding:

Material Weakness in Internal Control Over Financial Reporting; Compliance with Florida DOE *Financial and Program Cost Accounting and Reporting for Florida Schools* (Red Book) Chapter 8.

Schools:

Clewiston High School, LaBelle High School, Clewiston Middle School, Country Oaks 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 Red Book Chapter 8 and District policy. Additionally, receipts were not deposited in the bank within five business days as required by Red Book and District policy.

Criteria:

Red Book 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 five 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 Red Book Chapter 8.

Management Response:

This continues to be a concern for some schools. During FY 19-20, the Finance Department conducted a training session, and sent out monthly reminders for the timeliness of receipts. A big part of the problem this year has not been the bookkeepers, but fundraiser coordinators who do not submit money until a fundraiser is over, instead of in compliance with policy. For FY 20-21, the Finance staff will do random checks in the affected schools to determine when there is a problem and work with the bookkeeper to resolve it.

**HENDRY COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2020**

2020-002 – Propriety of Disbursements

Type of Finding:

Material Weakness in Internal Control Over Financial Reporting; Compliance with Red Book Chapter 8.

Schools:

Upthegrove Elementary School, Country Oaks Elementary School, Clewiston Middle School

Condition:

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

Criteria:

Red Book 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:

The auditors noted four items that were purchased from internal funds that should have been purchased from District/County funds, three were janitorial, the other was stamps. The other item noted was allowable, but charged to the wrong account. The District will make these accounts whole for the \$163 that should have been charged to the district, and the school will make the accounting correction for the fifth item. Each affected school believed maintenance/stamps were allowable expenses from their general donation account and now agree to not do that in the future.

**HENDRY COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2020**

2020-003 – Documentation of Disbursements and Receipts

Type of Finding:

Material Weakness in Internal Control Over Financial Reporting; Compliance with Red Book Chapter 8.

Schools:

Clewiston High School, Eastside Elementary School, Clewiston Adult School, Labelle High School, Labelle Middle School, Clewiston Middle School, Central Elementary School, Westside Elementary School, Country Oaks Elementary School

Condition:

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

- Supporting documentation for six disbursements and five receipts selected for testing was not maintained and available for review.
- 27 checks selected for testing were disbursed with a single signature.

Criteria:

- Red Book 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 Red Book standards and District policies.

Management Response:

During FY 19-20, the Finance Department conducted a training session so that the staff would recognize the importance of documentation. For FY 20-21, the Finance staff will do random checks in the affected schools to determine when there is a problem.

For schools with multiple issues, they have each reviewed the appropriate policy and sent a memo to Finance confirming/acknowledging their understanding of documentation.

**HENDRY COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2020**

2020-004 – Fundraising Reports & Activities

Type of Finding:

Material Weakness in Internal Control Over Financial Reporting; Compliance with Red Book Chapter 8.

Schools:

Clewiston High School, Clewiston Middle School, Central 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 Red Book Chapter 8. One school conducted a game of chance as a fundraiser.

Criteria:

Red Book 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. Raffles and other activities of chance are not allowed to be conducted by the schools or on school property.

Cause:

The schools have not fully implemented the requirements for documenting fundraising activities. Organization sponsors may not be familiar with the restrictions on various types of fundraisers. Principal approval before a fundraiser begins should provide an additional level of control to prevent prohibited activities as fundraisers.

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. Principals should ensure that fundraising activities are allowable under Red Book. Upon completion of the fundraiser, a fundraising report should be filed with the Principals office, as outlined in the District Policy and by Red Book Chapter 8.

Management Response:

There has been a district wide issue with fundraising reports not being fully and used properly. The forms are fairly consistent from school to school, so the forms do not appear to be the challenge. Bookkeepers and principals have acknowledged that they understand that each fundraising activity must be approved in advance by the principal, using the proper form. *Several bookkeepers advised that they were not aware that the pre-approved planning form was to be retained in the internal funds audit file and acknowledge they will do so in the future.*

A closeout report is to be filed with the principal's office at the end of each fundraiser. The bookkeepers will report to Finance staff any issues they have this year in getting these completed reports from the fundraiser's coordinator.