

HARDEE COUNTY DISTRICT SCHOOL BOARD

INTERNAL FUND ACCOUNTS
AUDITED FINANCIAL STATEMENT

YEAR ENDED JUNE 30, 2016

BOARD ACTION

10/13/16
Approved

**HARDEE COUNTY DISTRICT SCHOOL BOARD
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INDEPENDENT AUDITORS' REPORT

Hardee County District School Board
Wauchula, Florida

Report on the Financial Statement

We have audited the accompanying financial statement of the agency fund of the internal fund accounts of the Hardee County District School Board (the District) as of June 30, 2016, and the related notes to the financial statement, as listed in the table of contents.

Management's Responsibility for the Financial Statement

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 District'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 District'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 Hardee County District School Board as of June 30, 2016, 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 Hardee County District School Board as of June 30, 2016, 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.

Hardee County District School Board
Wauchula, Florida

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2016, on our consideration of the Hardee 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 to describe the scope of our testing of internal control over financial reporting and compliance and the result 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 District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Sebring, Florida
September 19, 2016

**HARDEE COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY NET POSITION
INTERNAL FUND ACCOUNTS – AGENCY FUND
JUNE 30, 2016**

ASSETS

Cash and Cash Equivalents	\$ 255,853
Investments	<u>69,009</u>
Total Assets	<u><u>\$ 324,862</u></u>

LIABILITIES

Due to Others	<u><u>\$ 324,862</u></u>
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See accompanying Notes to Financial Statement.

**HARDEE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The internal fund accounts of the Hardee County District School Board (the District) are comprised of eight individual accounts. There is an account for each of the seven schools in the District and one for the Hardee Community Recreation Center. 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

Hardee Senior High's internal account pooled its excess cash resources with other funds of the District for investment purposes. The excess funds are invested in demand deposits and time deposits. At June 30, 2016, investments consist of a certificate of deposit with duration of six months, maturing on October 24, 2016.

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, 2016, the entire amount of demand deposits is deposited in State of Florida qualified depositories and is fully insured.

**HARDEE COUNTY DISTRICT SCHOOL BOARD
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
TRANSFERS, AND BALANCES OF THE INTERNAL FUND ACCOUNTS
YEAR ENDED JUNE 30, 2016**

	Hardee Senior High	Hardee Junior High	Wauchula Elementary	North Wauchula Elementary	Zolfo Springs Elementary	Bowling Green Elementary	Hilltop Elementary	Community Recreation Center	Total
TOTAL ASSETS - JULY 1, 2015	\$ 204,178	\$ 43,216	\$ 40,387	\$ 39,044	\$ 17,924	\$ 3,755	\$ 9,156	\$ 24,040	\$ 381,700
RECEIPTS									
Athletics	230,008	18,854	-	-	-	-	-	-	248,862
Music	69,450	10,916	-	-	-	-	-	-	80,366
Class, Club, Departments	185,382	80,887	18,259	36,485	32,040	5,320	25,051	-	383,424
Trust Funds	64,059	-	34,026	17,646	4,753	2,150	-	-	122,634
General	7,097	17,761	40,571	13,631	10,015	4,564	4,506	26,734	124,879
Total Receipts	555,996	128,418	92,856	67,762	46,808	12,034	29,557	26,734	960,165
DISBURSEMENTS									
Athletics	239,551	17,009	-	-	-	-	-	-	256,560
Music	68,362	9,577	-	-	-	-	-	-	77,939
Class, Club, Departments	221,995	93,978	17,203	37,938	32,223	3,776	24,033	-	431,146
Trust Funds	59,752	-	32,707	18,437	4,945	721	364	-	116,926
General	15,752	18,886	32,909	12,674	11,313	2,490	6,759	33,649	134,432
Total Disbursements	605,412	139,450	82,819	69,049	48,481	6,987	31,156	33,649	1,017,003
TRANSFERS									
Athletics	(1,350)	-	-	-	-	-	-	-	(1,350)
Class, Club, Departments	(3,435)	-	-	-	-	-	-	-	(3,435)
Trust Funds	94	-	-	-	-	-	-	-	94
General	4,691	-	-	-	-	-	-	-	4,691
Total Transfers	-	-	-	-	-	-	-	-	-
TOTAL ASSETS - JUNE 30, 2016	\$ 154,762	\$ 32,184	\$ 50,424	\$ 37,757	\$ 16,251	\$ 8,802	\$ 7,557	\$ 17,125	\$ 324,862



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENT PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Hardee County District School Board
Wauchula, 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 Hardee County District School Board (internal fund accounts), as of June 30, 2016, and the related notes to the financial statement, which collectively comprise the internal fund accounts basic financial statement, and have issued our report thereon dated September 19, 2016.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as 2016-002, 2016-003 and 2016-004 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and responses as 2016-001 to be a significant deficiency.

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*.

Hardee County District School Board's Response to Findings

Hardee County District School Board's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Hardee County District School Board's response was not subjected to the auditing procedures applied in the audit of the financial statement 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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Sebring, Florida
September 19, 2016

**HARDEE COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2016**

PRIOR YEAR

Prior Year Findings		Current Year Status
2014-001 <u>Timeliness of Deposits</u> <i>Summary: For two schools, deposits were not made within the five (5) working day limit set forth by School Board internal fund policy and Redbook Ch.8.</i>	Significant Deficiency	Cleared

CURRENT YEAR

2016-001 Timeliness of Receipts

Type of Finding:

Significant Deficiency in Internal Control over Financial Reporting

Condition:

For five schools, cash receipts collected outside of the school office were not turned in to the school office within the one (1) working day limit set forth by School Board internal fund policy and Redbook Chapter 8.

Criteria:

Redbook Chapter 8 requires that funds collected outside of the school office must be turned in to the school office no later than the next business day.

Cause:

Teachers and sponsors accumulate funds for several days before turning the money in to the front office.

Effect:

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

Recommendation:

All funds collected outside of the school office should be turned in to the school office no later than the next business day as outlined in the District policy and Redbook Chapter 8.

Management Response:

Some schools indicated that cash receipts collected outside of the office were generally turned into the office within one working day; however, dates entered may not have reflected this. One school will remind staff about the one-day limit. The recreation complex will require swim supervisors to submit cash receipts from weekend "open swims" to the office on Monday.

**HARDEE COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2016**

2016-002 Fundraising Reports

Type of Finding:

Material Weakness in Internal Control over Financial Reporting

Condition:

For one school, 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. Additionally, a fundraising report must be filed with the Principal's office at the close of each fundraising activity.

Cause:

The bookkeeper was not aware of 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:

The school will start using the fundraising form to document approval and financial outcome of each fundraiser.

2016-003 Internal Fund Accounting

Type of Finding:

Material Weakness in Internal Control over Financial Reporting

Condition:

For one school, a teacher circumvented internal fund accounting procedures as set forth by School Board internal fund policy and Redbook Chapter 8.

Criteria:

Redbook Chapter 8 requires that all funds handled by district school board employees during normal working hours be included in and become part of the internal funds of the school unless accounted for in the district-level accounting system.

**HARDEE COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2016**

Cause:

At one school, a teacher receipted funds from students for a fieldtrip, and used those funds to pay for the fieldtrip in cash, thereby circumventing internal funds accounting procedures for receipts and disbursements.

Effect:

Misappropriation of funds collected may occur by error or fraud if cash receipts and disbursements do not flow through internal fund accounts.

Recommendation:

All funds handled by district school board employees during normal working hours should be included in and become part of the internal funds of the school unless accounted for in the district-level accounting system as outlined in the District policy and Redbook Chapter 8.

Management Response:

The school implemented new procedures to ensure that all funds collected by the school's employees become part of their internal funds, where appropriate. The school's teachers were given receipt books along with money collection forms. The school's principal or assistant principal has to sign the receipts and money collection forms. A receipt is sent home with the student. Collections are now kept in a locked filing cabinet in the school's vault. Only the principal and assistant principal can access that filing cabinet.

2016-004 Cash Disbursements

Type of Finding:

Material Weakness in Internal Control over Financial Reporting

Condition:

The District was not able to provide supporting documentation for 2 of 60 disbursements selected for testing during the audit.

Criteria:

The Redbook and District policies require that supporting documentation be retained for all disbursements to document the Principal's authorization for disbursement of funds.

Cause:

Supporting documentation was not properly obtained and filed.

Effect:

The risk of errors or unauthorized purchases is increased when disbursements are not properly authorized and documented.

Recommendation:

We recommend that all disbursements have supporting documentation as required by Redbook standards and District policies.

Management Response:

Proper documentation supporting disbursements will be filed and maintained.