

2021

Hernando County District School Board Internal Accounts

Financial Statements
and Independent Auditor's Report

June 30, 2021

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR’S REPORT
HERNANDO COUNTY DISTRICT SCHOOL BOARD
SPECIAL REVENUE FUND**

HERNANDO COUNTY, FLORIDA

JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Hernando County District School Board
Hernando County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Hernando County District School Board's (the District) Special Revenue (Major) Fund (Internal Accounts) as of and for the year ended June 30, 2021, and the related notes to the financial statements, 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 an opinion 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 *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 from 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 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 statements.

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

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INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Special Revenue Fund (Internal Accounts) of the District, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the accompanying financial statements include only the financial activity of the Special Revenue Fund (Internal Accounts). The financial statements do not include other financial activities of the District and, accordingly, do not purport to, and do not present fairly the net position, fund balance, or changes therein, of the District in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As more fully discussed in Note 1 to the financial statements, the District implemented Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, which changed the method of reporting the activity of the Internal Accounts from a Fiduciary Fund to a Special Revenue Fund.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis and budgetary comparison information of the major Special Revenue Fund that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's Special Revenue Fund (Internal Accounts). The information listed in the table of contents as supplementary information, consisting of the Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balance, is presented for purposes of additional analysis and is not a required part of the financial statements.

The Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balance are the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the District's Special Revenue Fund (Internal Accounts) and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the District's Special Revenue Fund (Internal Accounts) Combining Statements to the District's Special Revenue Fund itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balance are fairly stated, in all material respects, in relation to the District's Special Revenue Fund (Internal Accounts) as a whole.

Hernando County District School Board
Hernando County, Florida

INDEPENDENT AUDITOR'S REPORT

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2022, on our consideration of the District's 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.



January 6, 2022
Ocala, Florida

**BALANCE SHEET
SPECIAL REVENUE FUND
JUNE 30, 2021
HERNANDO COUNTY DISTRICT SCHOOL BOARD
HERNANDO COUNTY, FLORIDA**

ASSETS

	<u>Special Revenue Fund</u>
Assets	
Cash and Cash Equivalents	\$ 1,787,925
Accounts Receivable, Net	<u>10,877</u>
Total Assets	<u><u>1,798,802</u></u>
 Fund Balance	
Restricted	<u>1,798,802</u>
Total Fund Balance	<u><u>\$ 1,798,802</u></u>

See accompanying notes.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2021
HERNANDO COUNTY DISTRICT SCHOOL BOARD
HERNANDO COUNTY, FLORIDA

	Special Revenue Fund
Revenues	
Gifts, Grants, and Bequests	\$ 798,801
Interest Income	16,406
Misc. Local Sources	<u>1,731,364</u>
Total Revenues	<u>2,546,571</u>
 Expenditures	
Purchased Services	(164,930)
Materials and Supplies	(1,488,529)
Other	<u>(1,020,021)</u>
Total Expenditures	<u>(2,673,480)</u>
 Excess (Deficiency) of Revenues over Expenditures	 (126,909)
 Fund Balance, July 1, 2020 (Restated)	 <u>1,925,711</u>
 Fund Balance, June 30, 2021	 <u>\$ 1,798,802</u>

See accompanying notes.

**NOTES TO FINANCIAL STATEMENTS
HERNANDO COUNTY DISTRICT SCHOOL BOARD
HERNANDO COUNTY, FLORIDA**

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Special Revenue Fund (Internal Accounts) of Hernando County District School Board (the District) have been prepared to conform to generally accepted accounting principles, as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Pursuant to Florida Statutes, Section 1001.51(11)(f), the Superintendent of schools is responsible for keeping records and accounts of all financial transactions in the manner prescribed by the State Board of Education. The following is a summary of the more significant of these policies:

Reporting Entity

The accompanying financial statements include the effects of activity relating exclusively to the Internal Accounts of the schools within the District. The financial statements do not include other financial activities of the District. Therefore, the accompanying financial statements do not purport to, and do not, present the net position, or changes therein, of the District in accordance with accounting principles generally accepted in the United States of America.

- **Special Revenue Fund**—to account for resources of the Internal Accounts, which are used to administer monies collected at the District’s schools in connection with school, student athletic, class and club activities, and financial aid fee collections and expenditures. The fund is made up of all of the Internal Account activity of the District’s elementary, junior or middle, high schools, a virtual K-12, and an adult community education center and are unbudgeted public funds under the control and supervision of the District, with individual school principals having day-to-day responsibility over their respective schools.

The collection and disbursement of Internal Accounts is performed in accordance with Florida Statutes, the school board rules, and the financial and program cost accounting and reporting for Florida Schools Manual, published by the Florida Department of Education.

Measurement Focus and Basis of Accounting

The accompanying financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting.

Cash and Cash Equivalents

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by federal depository insurance and/or collateralized with securities held in Florida’s multiple financial institution collateral pool as required by Chapter 280, Florida Statutes; thus, all bank balances of the student activity funds of the District are fully-insured or collateralized.

**NOTES TO FINANCIAL STATEMENTS
HERNANDO COUNTY DISTRICT SCHOOL BOARD
HERNANDO COUNTY, FLORIDA**

Accounts Receivable

The majority of the accounts receivables are recorded for insufficient funds checks as of year-end.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Fund Balance

The Special Revenue Fund (Internal Accounts) follows the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, to classify fund balances for governmental funds into specifically defined classifications. The classifications comprise a hierarchy based primarily on the extent to which the Internal Accounts is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

Fund balances are described below:

Non-Spendable Fund Balances—Non-Spendable Fund Balances are amounts that cannot be spent because they are either: (a) not in spendable form; or (b) legally or contractually required to be maintained intact.

Restricted Fund Balances—Restricted Fund Balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balances—Committed Fund Balances are amounts that can only be used for specific purposes as a result of constraints imposed by formal action of the Internal Accounts' highest level of decision-making authority. The District is the highest level of decision-making authority for the Internal Accounts that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balances. Committed amounts cannot be used for any other purpose unless the District removes those constraints by taking the same type of action.

Assigned Fund Balances—Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The District has authorized the finance director to assign fund balance. Unlike commitments, assignments generally only exist temporarily.

The District's policy is to expend resources in the following order: restricted, committed, assigned, and unassigned, as applicable.

A single fund level statement is presented for the Special Revenue Fund (Internal Accounts). No entity-wide statements are presented as there are no reconciling items between fund level and entity-wide.

**NOTES TO FINANCIAL STATEMENTS
HERNANDO COUNTY DISTRICT SCHOOL BOARD
HERNANDO COUNTY, FLORIDA**

Adoption of New GASB Pronouncement

During the year ended June 30, 2021, the Special Revenue Fund (Internal Accounts) adopted new accounting guidance by implementing the provisions of GASB Statement No. 84, *Fiduciary Activities*, which established criteria for identifying and reporting fiduciary activities. The Internal Accounts previously reported the activity of school Internal Accounts as a fiduciary fund. Beginning in fiscal year 2020-2021, such activity has been more appropriately reported in a special revenue fund due to the degree of administrative involvement (defined primarily as degree of spending control) maintained by the District. Beginning fund balance has been restated to reflect this change as follows:

Fund Balance, July 1, 2020, as Previously Reported	\$	-
Change In Accounting Principles		<u>1,925,711</u>
Fund Balance, July 1, 2020, as Restated	\$	<u><u>1,925,711</u></u>

Note 2 - Cash Deposits With Financial Institutions

Custodial Credit Risk

In the case of deposits, this is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District does not have a policy for custodial credit. All bank balances of the District are fully insured or collateralized as required by Chapter 280, Florida Statutes.

SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET
JUNE 30, 2021
HERNANDO COUNTY DISTRICT SCHOOL BOARD
HERNANDO COUNTY, FLORIDA

ASSETS

	Central High School	Hernando High School	Springstead High School
Assets			
Cash and Cash Equivalents	\$ 183,174	\$ 167,493	\$ 349,030
Accounts Receivable, Net	175	2,374	125
Total Assets	183,349	169,867	349,155

FUND BALANCE

Fund Balance			
Restricted	183,349	169,867	349,155
Total Fund Balance	\$ 183,349	\$ 169,867	\$ 349,155

<u>Weeki Wachee High School</u>	<u>Nature Coast Technical High School</u>	<u>D S Parrott Middle School</u>	<u>Fox Chapel Middle School</u>	<u>Powell Middle School</u>	<u>West Hernando Middle School</u>
\$ 203,878	\$ 178,601	\$ 17,423	\$ 41,749	\$ 76,106	\$ 33,562
2,095	4,224	-	142	265	150
<u>205,973</u>	<u>182,825</u>	<u>17,423</u>	<u>41,891</u>	<u>76,371</u>	<u>33,712</u>
<u>205,973</u>	<u>182,825</u>	<u>17,423</u>	<u>41,891</u>	<u>76,371</u>	<u>33,712</u>
<u>\$ 205,973</u>	<u>\$ 182,825</u>	<u>\$ 17,423</u>	<u>\$ 41,891</u>	<u>\$ 76,371</u>	<u>\$ 33,712</u>

<u>Challenger K8 School of Science</u>	<u>Explorer K8 School of Science</u>	<u>J D Floyd K8 School</u>	<u>Winding Waters K8 School</u>	<u>Brooksville Elementary School</u>	<u>Chocochatti Elementary School</u>
\$ 123,943	\$ 75,885	\$ 16,680	\$ 65,143	\$ 27,786	\$ 110,421
-	-	-	-	-	650
<u>123,943</u>	<u>75,885</u>	<u>16,680</u>	<u>65,143</u>	<u>27,786</u>	<u>111,071</u>
123,943	75,885	16,680	65,143	27,786	111,071
<u>\$ 123,943</u>	<u>\$ 75,885</u>	<u>\$ 16,680</u>	<u>\$ 65,143</u>	<u>\$ 27,786</u>	<u>\$ 111,071</u>

Deltona Elementary School	Eastside Elementary School	Moton Elementary School	Pine Grove Elementary School	Spring Hill Elementary School	Suncoast Elementary School
\$ 13,445	\$ 16,010	\$ 10,294	\$ 19,794	\$ 10,003	\$ 24,961
-	-	677	-	-	-
<u>13,445</u>	<u>16,010</u>	<u>10,971</u>	<u>19,794</u>	<u>10,003</u>	<u>24,961</u>
13,445	16,010	10,971	19,794	10,003	24,961
<u>\$ 13,445</u>	<u>\$ 16,010</u>	<u>\$ 10,971</u>	<u>\$ 19,794</u>	<u>\$ 10,003</u>	<u>\$ 24,961</u>

Westside Elementary School	Endeavor Academy	Total
\$ 18,728	\$ 3,816	\$ 1,787,925
-	-	10,877
<u>18,728</u>	<u>3,816</u>	<u>1,798,802</u>
<u>18,728</u>	<u>3,816</u>	<u>1,798,802</u>
<u>\$ 18,728</u>	<u>\$ 3,816</u>	<u>\$ 1,798,802</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2021
HERNANDO COUNTY DISTRICT SCHOOL BOARD
HERNANDO COUNTY, FLORIDA**

	Central High School	Hernando High School	Springstead High School
Revenues			
Gifts, Grants, and Bequests	\$ 58,761	\$ 137,697	\$ 39,896
Interest Income	1,702	800	3,225
Misc. Local Sources	160,700	169,160	250,808
Total Revenues	<u>221,163</u>	<u>307,657</u>	<u>293,929</u>
Expenditures			
Purchased Services	(39,710)	(120)	(53,654)
Materials and Supplies	(102,474)	(275,228)	(159,880)
Other	(78,510)	(17,175)	(125,296)
Total Expenditures	<u>(220,694)</u>	<u>(292,523)</u>	<u>(338,830)</u>
Excess (Deficiency) of Revenues over Expenditures	469	15,134	(44,901)
Fund Balance, July 1, 2020 (Restated)	<u>182,880</u>	<u>154,733</u>	<u>394,056</u>
Fund Balance, June 30, 2021	<u>\$ 183,349</u>	<u>\$ 169,867</u>	<u>\$ 349,155</u>

	Nature Coast					
Weeki Wachee High School	Technical High School	D S Parrott Middle School	Fox Chapel Middle School	Powell Middle School	West Hernando Middle School	
\$ 76,291	\$ 166,528	\$ -	\$ 2,804	\$ 17,214	\$ 2,191	
1,792	2,124	145	296	737	336	
244,997	305,273	57,377	39,780	64,675	30,984	
<u>323,080</u>	<u>473,925</u>	<u>57,522</u>	<u>42,880</u>	<u>82,626</u>	<u>33,511</u>	
(34,086)	(10,978)	(180)	(4,391)	(1,630)	(5,122)	
(33,541)	(438,130)	(38,280)	(29,259)	(18,482)	(26,571)	
(249,954)	(64,939)	(12,555)	(15,732)	(62,872)	(2,784)	
<u>(317,581)</u>	<u>(514,047)</u>	<u>(51,015)</u>	<u>(49,382)</u>	<u>(82,984)</u>	<u>(34,477)</u>	
5,499	(40,122)	6,507	(6,502)	(358)	(966)	
200,474	222,947	10,916	48,393	76,729	34,678	
<u>\$ 205,973</u>	<u>\$ 182,825</u>	<u>\$ 17,423</u>	<u>\$ 41,891</u>	<u>\$ 76,371</u>	<u>\$ 33,712</u>	

Challenger K8 School of Science	Explorer K8 School of Science	J D Floyd K8 School	Winding Waters K8 School	Brooksville Elementary School	Chocochatti Elementary School
\$ 53,173	\$ -	\$ 14,844	\$ 23,298	\$ 19,676	\$ 71,293
1,246	677	200	647	253	1,042
128,108	51,512	22,698	53,554	11,051	57,339
182,527	52,189	37,742	77,499	30,980	129,674
(5,140)	(4,773)	(540)	(4,253)	-	(317)
(116,392)	(41,985)	(37,424)	(48,279)	(10,595)	(38,352)
(77,176)	(5,284)	(6,871)	(29,958)	(19,291)	(98,383)
(198,708)	(52,042)	(44,835)	(82,490)	(29,886)	(137,052)
(16,181)	147	(7,093)	(4,991)	1,094	(7,378)
140,124	75,738	23,773	70,134	26,692	118,449
<u>\$ 123,943</u>	<u>\$ 75,885</u>	<u>\$ 16,680</u>	<u>\$ 65,143</u>	<u>\$ 27,786</u>	<u>\$ 111,071</u>

Deltona Elementary School	Eastside Elementary School	Moton Elementary School	Pine Grove Elementary School	Spring Hill Elementary School	Suncoast Elementary School
\$ 16,274	\$ 17,620	\$ 11,957	\$ 22,660	\$ 15,390	\$ 16,163
237	131	-	225	85	290
17,551	7,228	20,118	10,777	14,626	5,081
<u>34,062</u>	<u>24,979</u>	<u>32,075</u>	<u>33,662</u>	<u>30,101</u>	<u>21,534</u>
-	-	-	-	-	-
(21,675)	(7,699)	(11,103)	(1,223)	(14,263)	(7,112)
(13,626)	(18,179)	(19,358)	(40,798)	(15,444)	(29,023)
<u>(35,301)</u>	<u>(25,878)</u>	<u>(30,461)</u>	<u>(42,021)</u>	<u>(29,707)</u>	<u>(36,135)</u>
(1,239)	(899)	1,614	(8,359)	394	(14,601)
14,684	16,909	9,357	28,153	9,609	39,562
<u>\$ 13,445</u>	<u>\$ 16,010</u>	<u>\$ 10,971</u>	<u>\$ 19,794</u>	<u>\$ 10,003</u>	<u>\$ 24,961</u>

Westside Elementary School	Endeavor Academy	Total
\$ 10,791	\$ 4,280	\$ 798,801
216	-	16,406
3,559	4,408	1,731,364
<u>14,566</u>	<u>8,688</u>	<u>2,546,571</u>
(36)	-	(164,930)
(5,564)	(5,018)	(1,488,529)
(14,386)	(2,427)	(1,020,021)
<u>(19,986)</u>	<u>(7,445)</u>	<u>(2,673,480)</u>
(5,420)	1,243	(126,909)
24,148	2,573	1,925,711
<u>\$ 18,728</u>	<u>\$ 3,816</u>	<u>\$ 1,798,802</u>

OTHER REPORTS

**INDEPENDENT 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**

Hernando County District School Board
Hernando County, 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 statements of the Special Revenue Fund (Internal Accounts) of the Hernando County District School Board (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Special Revenue Fund (Internal Accounts) of the District, and have issued our report thereon dated January 6, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and other matters that we consider to be significant deficiencies as 2021-001 and 2021-002.

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Hernando County District School Board
Hernando County, Florida

**INDEPENDENT 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**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of the financial statements. 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying District Response Letter. The District'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 results of that testing, and not to provide an opinion on the effectiveness of the District'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.



January 6, 2022
Ocala, Florida

**SCHEDULE OF FINDINGS AND OTHER MATTERS
HERNANDO COUNTY DISTRICT SCHOOL BOARD
FOR THE YEAR ENDED JUNE 30, 2021**

Current Year Comments

Significant Deficiency

2021-001

Finding - Lack of Segregation of Duties (Current Year Finding)

Because of a limited number of personnel, school employees who maintain accounting records also handle cash collections, cosign checks, and reconcile bank statement balances to the accounting records. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected.

Recommendation

Internal control over cash transactions would be strengthened if these duties were separated among employees. While we acknowledge that personnel may not always be available to permit such a separation of employee duties and responsibilities, we think it is important that you are made aware of this condition. We noted that some principals are reviewing bank reconciliations in order to help compensate for the lack of segregation of duties. We continue to encourage all principals to perform this review process. We also encourage the District to implement a District level employee to complete bank statement reviews for each school and related accounts.

2021-002 Budget Requirements (Current Year Finding)

Governmental Accounting Standards Board Statement No. 30 Paragraph 130 states that budgetary comparison schedules should be presented as required supplementary information for the general fund and each major special revenue fund that has a legally adopted annual budget. Although the Special Revenue Fund (Internal Accounts) is not a major fund for the District for the year ended June 30, 2021, however, for the Special Revenue Fund (Internal Accounts) separate report, it is the only fund and considered a major special revenue fund. For the year ended June 30, 2021, we noted no budget to actual schedule was presented in the financial statements as no budget was adopted by the District for the Special Revenue Fund (Internal Accounts).

We would recommend management review necessary budgetary reporting requirements for the Special Revenue Fund (Internal Accounts) and consider adopting a budget for this fund in the future.

Prior Year Comment

Significant Deficiency

2021-003 Other Matters (Prior Year Matter)

In addition to the significant deficiency described above, our audit procedures disclosed the following immaterial instances of non-compliance at various schools, which were presented to management for consideration. For schools that are not specifically identified, our audit procedures did not disclose other conditions that we feel should be brought to your attention.

Chapter 8, Section III of the Florida Department of Education's "Red Book" provides standards, practices, and procedures for districts to govern internal accounts. Our audit procedures included the review of cash receipts and disbursements. We noted several instances of non-compliance with these standards, practices, and procedures as they related to the transactions of cash receipts and disbursements.

We recommend that the District's management continue to monitor and train accounting staff at the schools to ensure compliance with the Red Book's standards.

MANAGEMENT LETTER

Hernando County District School Board
Hernando County, Florida

Report on the Financial Statements

We have audited the financial statements of the Special Revenue Fund (Internal Accounts) of Hernando County District School Board (the District) as of and for the fiscal year ended June 30, 2021, and have issued our report thereon dated January 6, 2022. Our report on the financial statements includes a paragraph explaining that the financial statements include only the Special Revenue Fund (Internal Accounts) and does not include other funds of the District.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.800, *Rules of the Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Schedule of Findings and Other Matters. Disclosures in those reports, dated January 6, 2022, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.804(1)(f)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been made to address findings and recommendations taken in the preceding annual financial audit report. See Schedule of Findings and Other Matters.

Financial Condition and Management

Section 10.804(1)(f)2., *Rules of the Auditor General*, requires us to communicate whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific conditions met. In connection with our audit, we determined that the Special Revenue Fund (Internal Accounts) did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.804(1)(f)5.a. and 10.805(7), *Rules of the Auditor General*, we applied financial condition assessment procedures for the Special Revenue Fund (Internal Accounts). It is management's responsibility to monitor the Special Revenue Fund's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.

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Hernando County District School Board
Hernando County, Florida

MANAGEMENT LETTER

Section 10.804(1)(f)3., *Rules of the Auditor General*, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Transparency

Section 10.804(1)(f)6., *Rules of the Auditor General*, requires that we communicate the results of our determination as to whether the District maintains on its website the information specified in Section 1011.035, Florida Statutes (Section 1011.035, Florida Statutes, provides that district school boards shall prominently post on their website a plain language version of each proposed, tentative, and official budget that describes each budget item in terms that are easily understandable to the public). This does not apply to the Special Revenue Fund (Internal Accounts).

Additional Matters

Section 10.804(1)(f)4., *Rules of the Auditor General*, requires us to communicate non-compliance with provisions of contracts or grant agreements, or abuse, that has occurred, or is likely to have occurred, that has an effect on the financial statements that is less than material but warrants the attention of those charged with governance. See Schedule of Findings and Other Matters.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, federal and other granting agencies, District School Board members, and applicable management and is not intended to be, and should not be, used by anyone other than these specified parties.



January 6, 2022
Ocala, Florida



Learn it. Love it. Live it.

January 6, 2022

Purvis, Gray & Company, LLP
Attn: Helen Y. Painter
2347 SE 17th Street
Ocala, Florida 34471

Re: Hernando County District School Board Tentative Audit Findings for the Fiscal Year Ended June 30, 2021
Internal Accounts Audit

Dear Ms. Painter:

Please accept the following written response concerning the tentative audit findings for the Hernando County District School Board's 2020-21 fiscal year Internal Accounts audit.

2021-001 – Lack of Segregation of Duties

District's Response – The District continues to emphasize the need for the segregation of duties, and will continue to work with school sites to correct this issue. Most schools have a very limited office staff available to meet this criteria, but it is communicated to them to make this a priority.

2021-002 – Budget Requirements

District's Response – The District will continue to reiterate standards, practices and procedures at annual trainings and email correspondence throughout the year to school bookkeepers.

2021-003 - Other Matters (Prior Year Audit Comment)

District's Response – The District will continue to monitor and train school bookkeepers to ensure compliance with Red Book standards and Internal Account procedures.

Respectfully,

Joyce McIntyre
Director of Finance & Purchasing

cc: John Stratton, Superintendent of Schools
Heather Martin, Assistant Superintendent of Business & Support Services
Gina Michalicka, Assistant Superintendent of Teaching & Learning
Lisa Becker, Executive Director of Business Services