

**SCHOOL DISTRICT OF
MANATEE COUNTY, FLORIDA
SCHOOL INTERNAL FUNDS**

**FINANCIAL STATEMENTS – CASH BASIS
AND SUPPLEMENTAL INFORMATION**

As of and for the Year Ended June 30, 2020

And Reports of Independent Auditor

SCHOOL DISTRICT OF MANATEE COUNTY, FLORIDA
SCHOOL INTERNAL FUNDS
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Report of Independent Auditor

To the Honorable Members of the School Board
School District of Manatee County, Florida
Bradenton, Florida

Report on the Financial Statement

We have audited the accompanying cash basis financial statements of the School District of Manatee County, Florida's (the "District") School Internal Funds as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's School Internal Funds' basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 the 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 risk 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 cash basis financial statements referred to in the first paragraph present fairly, in all material respects, the fiduciary assets and liabilities of the District's School Internal Funds as of June 30, 2020, and the related changes in fiduciary assets and liabilities for the year then ended in accordance with the cash basis of accounting as described in Note 1.

Emphasis of Matters

Reporting Entity

As discussed in Note 1, the financial statements presents only the School Internal Funds and do not purport to, and do not, present fairly the financial position of the School District of Manatee County, Florida as of June 30, 2020, and the changes in its financial position 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.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter

Other Matters

Our audit was conducted for the purpose of forming an opinion on the cash basis financial statements. The accompanying supplemental combining schedule of cash receipts and disbursements by schools – cash basis for the year ended June 30, 2020, is presented for purposes of additional analysis and is not a required part of the financial statement. The combining schedule of cash receipts and disbursements by schools – cash basis is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedule of cash receipts and disbursements by schools – cash basis is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2021, on our consideration of the School District of Manatee County, Florida, School Internal Funds' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and 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 School District of Manatee County, Florida, School Internal Funds' 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 School District of Manatee County, Florida, School Internal Funds' financial reporting and compliance.

A handwritten signature in black ink that reads "Cherry Bekant LLP". The signature is written in a cursive, flowing style.

Tampa, Florida
January 18, 2021

SCHOOL DISTRICT OF MANATEE COUNTY, FLORIDA
SCHOOL INTERNAL FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – CASH BASIS

JUNE 30, 2020

ASSETS

Cash	\$ 4,522,265
Investments	<u>2,989,003</u>
Total Assets	<u>\$ 7,511,268</u>

LIABILITIES

Internal accounts payable	<u>\$ 7,511,268</u>
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SCHOOL DISTRICT OF MANATEE COUNTY, FLORIDA**SCHOOL INTERNAL FUNDS****STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES – CASH BASIS***YEAR ENDED JUNE 30, 2020*

	<u>July 31, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2020</u>
ASSETS				
Cash	\$ 4,731,947	\$ 8,534,316	\$ 8,743,998	\$ 4,522,265
Investments	<u>3,407,385</u>	<u>3,720</u>	<u>422,102</u>	<u>2,989,003</u>
Total Assets	<u>\$ 8,139,332</u>	<u>\$ 8,538,036</u>	<u>\$ 9,166,100</u>	<u>\$ 7,511,268</u>
 LIABILITIES				
Internal accounts payable	<u>\$ 8,139,332</u>	<u>\$ 8,538,036</u>	<u>\$ 9,166,100</u>	<u>\$ 7,511,268</u>

The accompanying notes to the financial statements are an integral part of this statement.

SCHOOL DISTRICT OF MANATEE COUNTY, FLORIDA
SCHOOL INTERNAL FUNDS
NOTES TO THE FINANCIAL STATEMENTS – CASH BASIS

JUNE 30, 2020

Note 1—Summary of significant accounting policies

Reporting Entity – The School District of Manatee County, Florida (the “District”) School Internal Funds are comprised of individual account balances of the 51 public schools and centers located within the geographical boundaries of the Manatee County School District (the “Schools”).

The governing body of the District is the Manatee County District School Board and is composed of five elected members. The appointed Superintendent of the Schools is the executive officer of the District. The District is part of the State of Florida system of public education under the general direction and control of the State Board of Education.

The District’s School Internal Funds are included as an agency fund in the District’s annual financial report. The accompanying financial statements present only the School Internal Funds and are not intended to present fairly the financial position and results of operation of the District in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Basis of Accounting – In accordance with Florida Statutes, the District accounts for its School Internal Funds as an agency fund. This fund is organized into sub-funds to account for each school in the District. The District’s School Internal Funds at the individual school level recognize cash receipts and cash disbursements using the cash basis of accounting.

Cash – Cash consists of deposits held by banks qualified as public depositories under the laws of the State of Florida. All deposits are collateralized by securities held in federal depository insurance or by Florida’s multiple financial institution collateral pool required by Section 280 of the Florida Statutes.

Investments – Investments consist of certificates of deposit, amounts placed with the Florida Fixed Income Trust (“FL FIT”), amounts placed with the State Board of Administration (“SBA”) for participation in Florida PRIME, formerly known as the Local Government Surplus Trust Fund created by Section 218.405, Florida Statutes, and one investment in equities that was donated to a school. The District maintains common cash and investment pools for the use of all funds. The Florida PRIME investment pool operates under investment guidelines established by Section 215.47, Florida Statutes. Certificates of deposit and amounts with Florida PRIME are reported at amortized cost, which approximates fair value; investments in FL FIT are measured at net asset value, which approximates fair value; and investments in equities are measured at fair value based on quoted prices. As of June 30, 2020, the District’s School Internal Funds had \$2,989,003 in funds of the District reported as investments.

Internal Accounts Payable – Internal accounts payable consists of funds held on behalf of school-sponsored or related activities which supplement those activities provided from school district funds.

Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. Actual results could differ from those estimates.

SCHOOL DISTRICT OF MANATEE COUNTY, FLORIDA
SCHOOL INTERNAL FUNDS
NOTES TO THE FINANCIAL STATEMENTS – CASH BASIS

JUNE 30, 2020

Note 2—Investments

As of June 30, 2020, the District's School Internal Funds had the following investments and maturities:

Investment	Maturities	Fair Value
Equities	N/A	\$ 26,390
Florida PRIME	48 Days Average	108,763
Florida Fixed Income Trust ("FL FIT")	27 Days Average	2,672,531
Certificates of Deposit	150 Days Average	181,319
Total investments		<u>\$ 2,989,003</u>

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they become due.

Florida PRIME, FL FIT and the certificates of deposit use a weighted-average days to maturity ("WAM"). A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes.

For Florida PRIME, Chapter 218.409(8)(a), Florida Statutes, states that "The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the monies in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest monies entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days. As of June 30, 2020, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

Credit Risk – The District's investment policy authorizes the following investments, which are limited to credit quality ratings from nationally recognized rating agencies, as follows:

- Florida PRIME when rated at least AAAM by Standard & Poor's or the equivalent by another Nationally Recognized Statistical Rating Organization ("NRSRO")
- United States Government Securities
- United States Government Agencies
- Federal Instrumentalities (United States Government Sponsored Enterprise)
- Interest-Bearing Time Deposit or Savings Accounts
- Repurchase Agreements
- Commercial Paper of any United States company that is rated, at the time of purchase, Prime 1 by Moody's and A-1 by Standard & Poor's (prime commercial paper)

SCHOOL DISTRICT OF MANATEE COUNTY, FLORIDA
SCHOOL INTERNAL FUNDS
NOTES TO THE FINANCIAL STATEMENTS – CASH BASIS

JUNE 30, 2020

Note 2—Investments (continued)

- Corporate notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States that have a long-term debt rating, at the time of purchase, at a minimum single A category by any two NRSROs
- State and/or Local Government Taxable and/or Tax-Exempt Debt, general obligation and/or revenue bonds, rated at the time of purchase, at a minimum single A category by any two NRSROs for long-term debt, or rated at least MIG-1 by Moody's or SP-1 by Standard & Poor's for short-term debt
- Money Market Mutual Funds rated AAAM by Standard & Poor's or the equivalent by another NRSRO
- Short-Term Bonds rated AAF or better by Standard & Poor's or the equivalent by another NRSRO
- Intergovernmental Investment Pools rated AAAM/AAF by Standard & Poor's or the equivalent by another NRSRO

The District's Internal Funds investment in Florida PRIME was rated AAAM by Standard & Poor's.

The District's Internal Funds investment in FL FIT was rated AAAF/S1+ by Standard & Poor's.

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Section 218.415(18), Florida Statutes, requires the District to earmark all investments and (1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the governing body's interest in the security; (2) if in book-entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal Government, the State, or any other state or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or (3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault.

The District's investment policy requires that all investment securities purchased by the District shall be held by third-party custodians and be properly designated as an asset of the District. All investments, except for investments in Florida PRIME, and all local government investment pools, will be held in third-party custodial accounts in the District's name.

Concentration of Credit Risk – The District's investment policy has established permitted investment sectors which are designed to reduce concentration of credit risk of the District's investment portfolio.

Fair Value Disclosures – The District categorize its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

Level 1 – Inputs are quoted prices in active markets for identical assets;

Level 2 – Inputs are significant other observable inputs; and

Level 3 – Inputs are significant unobservable inputs.

The District's Internal Funds investments in equities are Level 1 inputs.

SCHOOL DISTRICT OF MANATEE COUNTY, FLORIDA
SCHOOL INTERNAL FUNDS
NOTES TO THE FINANCIAL STATEMENTS – CASH BASIS

JUNE 30, 2020

Note 2—Investments (continued)

The investments in Florida Prime, certificates of deposits and FL FIT have not been classified in the fair value hierarchy. All investments may be redeemed without advance notice and there are no limitations as to the frequency of redemptions for any investment pools, however, Florida PRIME has the ability to impose restrictions on withdrawals should a material event occur. Detailed information on the withdrawal restrictions that may be imposed and Florida PRIME's responsibilities should such an event occur are described in Section 218.409(8)(a), Florida Statutes. The District has no unfunded commitments to invest in any investment pool.

Note 3—Commitments and contingencies

In March 2020, the World Health Organization declared the outbreak of COVID-19 as a "public health emergency of international concern," which continues to spread throughout the world and has adversely impacted global commercial activity. The COVID-19 outbreak and government responses are creating disruption in global supply chains and impacting many industries. The outbreak could have a continued material, adverse impact on economic and market conditions and could trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material, adverse impact of the COVID-19 outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to District School Internal Funds, its performance, and its financial activities.

SUPPLEMENTAL INFORMATION

SCHOOL DISTRICT OF MANATEE COUNTY, FLORIDA**SCHOOL INTERNAL FUNDS****COMBINING SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS BY SCHOOL –
CASH BASIS***YEAR ENDED JUNE 30, 2020*

	June 30, 2019		June 30, 2020	
	Total Assets	Receipts	Disbursements	Total Assets
Elementary Schools:				
Abel Elementary School	\$ 55,560	\$ 46,287	\$ 38,850	\$ 62,997
Anna Maria Elementary School	32,846	38,525	32,407	38,964
Ballard Elementary School	57,233	23,288	24,871	55,650
Bashaw Elementary School	76,455	224,778	87,274	213,959
Bayshore Elementary School	34,228	44,172	43,286	35,114
Blackburn Elementary School	40,459	33,973	47,421	27,011
Braden River Elementary School	89,380	138,854	158,231	70,003
Daughtrey Elementary School	20,306	22,033	25,153	17,186
Freedom Elementary School	110,508	85,875	98,336	98,047
Gullett Elementary School	171,932	94,386	224,368	41,950
Harvey Elementary School**	-	177,527	134,459	43,068
Kinnan Elementary School	52,378	65,114	77,627	39,865
Manatee Elementary School	12,314	25,194	19,038	18,470
McNeal Elementary School	63,012	96,349	112,159	47,202
Miller Elementary School	41,365	74,827	98,656	17,536
Mills Elementary School	107,482	98,361	127,881	77,962
Moody Elementary School	32,724	22,696	25,673	29,747
Myakka Elementary School	23,816	50,791	42,522	32,085
Oneco Elementary School	35,145	20,844	25,204	30,785
Palm View Elementary School	16,208	34,742	31,099	19,851
Palma Sola Elementary School	30,297	49,749	45,847	34,199
Palmetto Elementary School	44,106	56,306	56,406	44,006
Prine Elementary School	47,518	52,956	61,776	38,698
Rogers Garden Elementary School	26,905	28,397	29,451	25,851
Samoset Elementary School	30,049	43,959	41,304	32,704
Sea Breeze Elementary School	108,366	112,287	151,754	68,899
Stewart Elementary School	82,532	56,331	75,135	63,728
Tara Elementary School	97,952	112,683	116,259	94,376
Tillman Elementary School	15,384	10,315	11,138	14,561
Wakeland Elementary School***	36,737	-	36,737	-
Williams Elementary School	157,095	170,027	247,133	79,989
Willis Elementary School	51,138	130,345	44,396	137,087
Witt Elementary School	143,735	98,137	139,070	102,802
Total	1,945,165	2,340,108	2,530,921	1,754,352

SCHOOL DISTRICT OF MANATEE COUNTY, FLORIDA**SCHOOL INTERNAL FUNDS****COMBINING SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS BY SCHOOL –
CASH BASIS (CONTINUED)***YEAR ENDED JUNE 30, 2020*

	June 30, 2019			June 30, 2020
	Total Assets	Receipts	Disbursements	Total Assets
Middle Schools:				
Braden River Middle School	\$ 140,848	\$ 200,573	\$ 177,507	\$ 163,914
Buffalo Creek Middle School	166,724	162,113	155,996	172,841
Haile Middle School	151,012	226,291	226,119	151,184
Harlee Middle School	4,830	406	950	4,286
Jain Middle School**	-	202,090	168,869	33,221
Johnson Middle School	47,021	154,211	129,846	71,386
King Middle School	73,074	124,942	124,718	73,298
Lee Middle School	60,847	122,800	138,473	45,174
Lincoln Middle School*	-	55,280	32,019	23,261
Nolan Middle School	116,911	211,810	181,957	146,764
Sugg Middle School	60,305	106,026	107,332	58,999
Total	821,572	1,566,542	1,443,786	944,328
High Schools:				
Bayshore High School	181,173	296,274	329,996	147,451
Braden River High School	177,028	667,792	661,211	183,609
Horizons High School	11,119	13,180	12,172	12,127
Lakewood Ranch High School	609,180	923,818	1,005,719	527,279
Manatee High School	664,437	648,172	635,113	677,496
Palmetto High School	174,462	629,137	677,104	126,495
Parrish Community High School**	-	331,530	194,486	137,044
Southeast High School	244,254	392,703	367,197	269,760
Total	2,061,653	3,902,606	3,882,998	2,081,261
Other:				
Manatee Technical College	3,310,942	728,780	1,308,395	2,731,327
Total	3,310,942	728,780	1,308,395	2,731,327
Grand Total	\$ 8,139,332	\$ 8,538,036	\$ 9,166,100	\$ 7,511,268

*Lincoln Middle was a charter school in the previous year and became a District school in the current year. As such, it's beginning balance of \$21,795 was not included in the prior year Internal Funds Financial Statements.

** These are new schools in the current year. There is no beginning asset balance to report.

*** Accounts were closed and funds transferred to Johnson Middle School

**Report of Independent Auditor 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***

To the Honorable Members of the School Board
School District of Manatee County
Bradenton, 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 cash basis financial statements of the School District of Manatee County, Florida's (the "District"), School Internal Funds, as of June 30, 2020, and the related notes to the financial statements and have issued our report thereon dated January 18, 2021, which included a paragraph emphasizing that the financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's School Internal Funds' 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's School Internal Funds' internal control. Accordingly, we do not express an opinion on the effectiveness of the District's School Internal Funds' 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 not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as Finding 2020-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's School Internal Funds' financial statements are free of 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 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 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.

A handwritten signature in black ink that reads "Cherry Bekant LLP". The signature is written in a cursive, flowing style.

Tampa, Florida
January 18, 2021

SCHOOL DISTRICT OF MANATEE COUNTY, FLORIDA
SCHOOL INTERNAL FUNDS
SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2020

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and agreements, and abuse related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

Finding 2020–001 Significant Deficiency in Internal Control over Cash Reconciliation Reports

This finding was reported as a material weakness in the prior year as Finding 2019-001.

Criteria: The District is responsible for establishing and maintaining internal controls over financial reporting, including the timely reconciliation of cash accounts. Monthly bank account reconciliation reports are important internal control procedures relating to the District's School Internal Funds account balances. To ensure timely financial accounting and reporting, controls over cash should include timely bank reconciliations that identify and correct errors on a timely basis (no later than 30 days following month-end).

Condition: During our audit of the District's School Internal Funds financial statements, we performed testing of the District's controls over cash and financial reporting. We tested bank reconciliations for a haphazardly selected month of October 2019, during the fiscal year, noting that the monthly cash reconciliation report had not been completed in a timely manner for 21 out of 52 schools. We also tested bank reconciliations at the fiscal year-end and noted that the monthly cash reconciliation report had not been completed in a timely manner for 2 out of 52 schools. In addition, we noted one school where the bank reconciliations were not documented as approved or reviewed.

Effect: Absent effective procedures for the timely preparation of bank account reconciliations, there is an increased risk that cash transaction errors or fraud may occur and not be timely detected, and the reliability of the general ledger financial information throughout the year and the District's ability to effectively monitor the District's financial position is diminished.

Cause: The District encountered difficulties with its new ERP system that was implemented during fiscal year 2019. The difficulties included deposits not being posted to the general ledger and non-internal fund transactions being posted to the District's Schools Internal Funds cash accounts.

Recommendation: The District should enhance procedures to ensure that reconciliations of bank account balances to the general ledger account balances are timely performed, with reconciling items promptly identified, thoroughly investigated, adequately documented, and resolved. Such enhancements should include appropriate training for employees who perform bank account reconciliations and use the District ERP system finance module.

Management's Response: Due to difficulties encountered by school site staff for School Internal Funds reconciliation and reporting in PeopleSoft, the District implemented a new School Internal Funds software system, School Funds Online on July 1, 2019. The bank reconciliation process has been changed with the implementation of this system. Bank reconciliations and associated financial reports will be completed manually by each school and reviewed by the District within 30 days of the monthly closing.