

CORTLAND ENLARGED CITY SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
FINANCIAL REPORT

For Year Ended June 30, 2018

Raymond F. Wager, CPA, P.C.
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Cortland Enlarged City School District, New York

We have audited the accompanying statement of cash receipts and disbursements of the Extraclassroom Activity Funds of Cortland Enlarged City School District for the year ended June 30, 2018 and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement 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 statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from 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 auditor's 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.

Basis for Qualified Opinion

Internal accounting controls are limited over the cash receipts from the point of collection to the time of submission to the Central Treasurer. Accordingly, it was impracticable to extend our audit of such receipts beyond the amounts recorded.

Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the basis for qualified opinion paragraph, the financial statement referred to in the first paragraph presents fairly, in all material respects, the cash receipts and disbursements of the Extraclassroom Activity Funds of Cortland Enlarged City School District for the year ended June 30, 2018, in accordance with the cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. This financial statement is 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 that matter.



Rochester, New York
December 18, 2018

CORTLAND ENLARGED CITY SCHOOL DISTRICT

Extraclassroom Activity Funds

Statement of Cash Receipts and Disbursements

For Year Ended June 30, 2018

	Cash Balance		Disburse-	Cash Balance
	<u>July 1, 2017</u>	<u>Receipts</u>	<u>ments</u>	<u>June 30, 2018</u>
Class of 2015	\$ 660	\$ -	\$ 660	\$ -
Class of 2016	5,077	-	5,077	-
Class of 2017	9,922	112	5,023	5,011
Class of 2018	7,826	57,035	60,224	4,637
Class of 2019	3,117	5,729	2,916	5,930
Class of 2020	2,023	12,376	5,163	9,236
Class of 2021	-	8,265	4,317	3,948
Alive at 25	2,410	-	-	2,410
All Night Party	2,721	26,724	23,918	5,527
Band, Senior High	5,491	6,469	7,797	4,163
Baseball Club	2,403	630	1,900	1,133
Basketball Cheerleaders	1,527	916	1,580	863
Bowling Club	30	-	-	30
Boys' Basketball	456	6,703	4,925	2,234
Boys' Track	2,636	727	-	3,363
Champs	-	1,814	1,814	-
Chorus	6,053	30	-	6,083
CHS General Fund	2,096	344	930	1,510
CO-HI-AN	1,408	10,405	10,867	946
Cortland Theater	9,432	11,287	15,768	4,951
Field Hockey	526	615	284	857
Football Club	1,512	2,452	2,470	1,494
Football Cheerleaders	380	-	-	380
French Club	142	48	63	127
Freshman Interservice	914	-	413	501
Girls' Basketball	1,670	2,085	3,680	75
Girls' Lacrosse	4,196	2,656	4,676	2,176
Girls' Soccer	3,971	2,964	3,160	3,775
Girls' Softball	145	5	123	27
Girls' Tennis	1,694	2,086	1,472	2,308
Girls' Track	852	-	-	852
Golf Club	2,879	2,539	2,229	3,189
Guidance Account	4,349	9,563	12,142	1,770
Ink Peppers	524	-	422	102
International Club	621	-	-	621
Subtotal	\$ 89,663	\$ 174,579	\$ 184,013	\$ 80,229

	Cash Balance		Disburse-	Cash Balance
	<u>July 1, 2017</u>	<u>Receipts</u>	<u>ments</u>	<u>June 30, 2018</u>
Carryover Total	\$ 89,663	\$ 174,579	\$ 184,013	\$ 80,229
Jr. High Band	5,119	4,707	6,106	3,720
Jr. High Interservice	4,370	891	1,799	3,462
Jr. High Music	4,600	5,027	5,118	4,509
Jr. High Select Band	4,144	6,684	7,294	3,534
Jr. High Ski Club	3,784	-	-	3,784
Jr. High Team #1	1,558	4,830	4,426	1,962
Jr. High Team #2	3,497	4,038	3,861	3,674
Jr. High Team #3	-	925	602	323
Jr. High Team #4	5	18,182	18,060	127
Lacrosse Club	872	2,415	1,991	1,296
Link Crew	47	77	-	124
National Honor Society	2,874	5,126	3,169	4,831
Orchestra	4,647	2,046	1,589	5,104
JH Orchestra	811	4,484	3,352	1,943
Photo Club	249	514	16	747
Relay for Life Club	2,267	5,261	5,335	2,193
Renaissance Club	77	-	77	-
Runners Club	1,571	3,225	1,610	3,186
S.A.D.D.	391	-	139	252
Sr. High Interservice	12,268	12,577	13,628	11,217
Soccer Club	1,858	9,016	8,460	2,414
Student Council	3,998	8,041	6,519	5,520
Student Senate	8,708	18,421	19,388	7,741
Technology Club	609	434	466	577
Tennis Club	607	450	702	355
Tiger's Den	2,445	-	-	2,445
Tri-M	320	-	100	220
Video Club	9,117	1,026	1,487	8,656
Volleyball Club	1,289	5,176	4,563	1,902
Winterguard	250	-	-	250
Wrestling	2,444	1,268	426	3,286
General Organization	1,519	-	1,519	-
TOTAL	<u>\$ 175,978</u>	<u>\$ 299,420</u>	<u>\$ 305,815</u>	<u>\$ 169,583</u>

(See accompanying notes to financial statement)

CORTLAND ENLARGED CITY SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

NOTES TO FINANCIAL STATEMENT

June 30, 2018

(Note 1) Accounting Policy:

The transactions of the Extraclassroom Activity Funds are considered part of the reporting entity of Cortland Enlarged City School District. Consequently, the cash balances are included in the financial statements of the School District as part of the Trust and Agency Fund.

The accounts of the Extraclassroom Activity Funds of Cortland Enlarged City School District are maintained on a cash basis, and the statement of cash receipts and disbursements reflects only cash received and disbursed. Therefore, receivables and payables, inventories, long-lived assets, and accrued income and expenses, which would be recognized under generally accepted accounting principles, and which may be material in amount, are not recognized in the accompanying financial statement.

(Note 2) Cash and Cash Equivalents:

Cash and cash equivalents is comprised of one checking account and a certificate of deposit. The balance in these accounts is fully covered by FDIC Insurance.

CORTLAND ENLARGED CITY SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
AUDITORS' FINDINGS AND EVALUATION

We have examined the statement of cash receipts and disbursements of Cortland Enlarged City School District's Extraclassroom Activity Funds for the year ended June 30, 2018. As part of our examination, we made a study and evaluation of the system of internal accounting control to the extent we deemed necessary to render our opinion.

There are inherent limitations in considering the potential effectiveness of any system of internal accounting control. Human errors, mistakes of judgment and misunderstanding of instructions limit the effectiveness of any control system.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Prior Year Deficiencies Which Were Not Corrected:

- A. The following general audit findings were noted in previous fiscal year audits, and were not addressed during the 2017-18 fiscal year:
1. Although we noted improvement in the preparation of profit and loss statements, there were several fundraisers in which profit and loss statements were not prepared.
 2. Sales tax is not being collected and remitted on taxable fundraisers; including, but not limited to dances, concession sales, and yearbook sales.
 3. Pre-numbered tickets, or tally sheets, are not always used to track attendance at events requiring an admission charge. In addition, ticket reconciliations are not consistently being prepared when clubs hold these events.

(Prior Year Deficiencies Which Were Not Corrected) (Continued)

4. There is no process in place to ensure individuals receiving payments in excess of \$600 in a calendar year are appropriately issued an IRS Form 1099.
5. Treasurer's receipts are not pre-numbered.
6. Not all clubs had elected student officers.
7. Students are not always involved in maintaining a separate club ledger.
8. Students are not always involved in counting cash, preparing deposits, or preparing payment orders.
9. The clubs listed below, either because of their function and/or the degree of student participation do not appear to meet the criteria to be considered an extraclassroom organization according to New York State Finance Pamphlet 2, *The Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds*:

Alive at 25	All Night Party	CHS General Fund
General Organization	Guidance	Freshman Interservice
Jr. High Interservice	Senior Interservice	Jr. High Ski Club
Yearbook	Ink Peppers	Jr. High Select Band
Jr. High Music	Jr. High Band	Team II
Team IV	Team I	Team III
Relay for Life	Class of 2017	Class of 2018

- B.** The following items related to testing of transactions were noted in both prior years and the current year, respectively:
1. In the current year we noted 20 instances (out of 28 payments examined) in which payment orders were missing at least one of the three required authorizing signatures. In the prior year we noted 21 instances (out of 27 payments examined).
 2. In the current year we noted 4 instances (out of 15 taxable payments) in which sales tax was not paid on taxable purchases. In the prior year we noted 8 instances (out of 14 taxable payments).
 3. For several years we have noted numerous instances in which clubs made gift, scholarship, and donation payments that were not supported by meeting minutes, scholarship criteria, or any other appropriate documentation as reasoning for the expenditure.
 4. In the current and prior years, we noted that the Football Club and Golf Club conducted raffles during the year.

We recommend the District review the guidelines issued by the New York State Education Department and implement operating procedures to ensure that future financial activities of the clubs are handled appropriately and an adequate system of internal control is in place.

Current Year Deficiencies in Internal Control:

Change Funds –

During the course of our examination, we noted the change funds for the Jr. High Team 4 Class Trip and Volleyball Pancake fundraiser were established from cash receipts.

We recommend all cash receipts be deposited intact and that all change funds deemed necessary be established by a check made payable to the Faculty Advisor or a Board authorized change fund. At the conclusion of the fundraiser or at year end, the change fund should be redeposited into the extraclassroom bank account.

Receipts –

We noted several instances where deposits were made to the bank account several days after the cash was received.

In an effort to help safeguard cash and maintain accountability and control over receipts, we recommend every effort continue to be made to deposit all cash receipts on a more timely basis.

Other Items:

The following items are not considered to be deficiencies in internal control; however, we consider them other items which we would like to communicate to you as follows:

New York State Finance Pamphlet #2 –

The New York State Education Department issued Finance Pamphlet #2, *the Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds*, to provide guidance on policies and procedures relating to extraclassroom activities. Finance Pamphlet #2 was last updated in 2015, however, the District’s Extraclassroom Policy was last updated in January 1989.

We recommend the Administration consider reviewing its Extraclassroom Policy to ensure compliance with the updated guidelines.

Inactive Clubs –

As indicated on the statement of cash receipts and disbursements, the following clubs were financially inactive during 2017-18 fiscal year:

- | | |
|--------------------|-----------------------|
| Alive at 25 | Football Cheerleaders |
| Bowling Club | Girls Track |
| International Club | Jr. High Ski Club |

In addition, the following clubs have been financially inactive for two or more years:

- | | |
|-------------|-------------|
| Winterguard | Tiger’s Den |
|-------------|-------------|

We recommend the status of these clubs be reviewed. If future financial activity is not anticipated, they should be closed in accordance with the Board of Education policy.

Prior Year Recommendations Resolved:

We are pleased to report that the following prior year recommendations have been implemented to our satisfaction:

1. Students were issued Treasurer's receipts when money was turned in for deposit.
2. The required signatures were included on all deposit slips examined.
3. Several previously financially inactive clubs were closed in accordance with Board policy during the 2017-18 fiscal year.

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We wish to express our appreciation to all client personnel for the courtesies extended to us during the course of our examination.

A handwritten signature in blue ink that reads "Raymond F. Wager, CPA, PC". The signature is written in a cursive style.

Rochester, New York
December 18, 2018