

CORTLAND ENLARGED CITY SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
FINANCIAL REPORT

For Year Ended June 30, 2019

MENGEL METZGER BARR & CO. LLP
RAYMOND F. WAGER, CPA, P.C. DIVISION

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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, 2019 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, 2019, 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 10, 2019

Raymond F. Wager, CPA, PC

CORTLAND ENLARGED CITY SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

For Year Ended June 30, 2019

	Cash Balance <u>July 1, 2018</u>	<u>Receipts</u>	Disburse- <u>ments</u>	Cash Balance <u>June 30, 2019</u>
Class of 2017	\$ 5,011	\$ 45	\$ 3,778	\$ 1,278
Class of 2018	4,637	539	1,121	4,055
Class of 2019	5,930	51,030	53,871	3,089
Class of 2020	9,236	9,197	4,399	14,034
Class of 2021	3,948	24,477	19,125	9,300
Class of 2022	-	14,793	7,364	7,429
Alive at 25	2,410	-	-	2,410
All Night Party	5,527	31,457	34,964	2,020
Band, Senior High	4,163	5,233	8,964	432
Baseball Club	1,133	607	1,740	-
Basketball Cheerleaders	863	-	863	-
Bowling Club	30	1,309	917	422
Boys' Basketball	2,234	6,948	8,806	376
Boys' Track	3,363	768	770	3,361
Chorus	6,083	466	2,700	3,849
CHS General Fund	1,510	181	574	1,117
CO-HI-AN	946	10,947	9,472	2,421
Cortland Theater	4,951	10,183	7,018	8,116
Field Hockey	857	2,759	953	2,663
Football Club	1,494	1,657	2,347	804
Football Cheerleaders	380	2,384	1,536	1,228
French Club	127	858	785	200
Freshman Interservice	501	10	-	511
Girls' Basketball	75	2,730	2,574	231
Girls' Lacrosse	2,176	4,474	4,267	2,383
Girls' Soccer	3,775	4,106	2,500	5,381
Girls' Softball	27	73	-	100
Girls' Tennis	2,308	1,445	3,213	540
Girls' Track	852	-	22	830
Golf Club	3,189	2,864	2,663	3,390
Guidance Account	1,770	7,603	7,327	2,046
Ink Peppers	102	-	46	56
International Club	621	-	300	321
Subtotal	<u>\$ 80,229</u>	<u>\$ 199,143</u>	<u>\$ 194,979</u>	<u>\$ 84,393</u>

	Cash Balance		Disburse-	Cash Balance
	<u>July 1, 2018</u>	<u>Receipts</u>	<u>ments</u>	<u>June 30, 2019</u>
Carryover Total	\$ 80,229	\$ 199,143	\$ 194,979	\$ 84,393
Jr. High Band	3,720	5,484	8,209	995
Jr. High Interservice	3,462	1,130	2,956	1,636
Jr. High Music	4,509	4,449	4,803	4,155
Jr. High Select Band	3,534	12,932	10,978	5,488
Jr. High Ski Club	3,784	100	1,277	2,607
Jr. High Team #1	1,962	1,812	2,555	1,219
Jr. High Team #2	3,674	2,698	3,086	3,286
Jr. High Team #3	323	-	162	161
Jr. High Team #4	127	19,770	19,172	725
Lacrosse Club	1,296	1,825	1,562	1,559
Link Crew	124	473	306	291
National Honor Society	4,831	26	724	4,133
Orchestra	5,104	6,601	7,410	4,295
JH Orchestra	1,943	4,776	6,160	559
Photo Club	747	-	-	747
Relay for Life Club	2,193	-	500	1,693
Runners Club	3,186	1,499	1,549	3,136
S.A.D.D.	252	-	-	252
Sr. High Interservice	11,217	8,719	11,664	8,272
Soccer Club	2,414	8,247	7,806	2,855
Student Council	5,520	11,037	11,233	5,324
Student Senate	7,741	17,250	21,700	3,291
Technology Club	577	500	285	792
Tennis Club	355	1,503	830	1,028
Tiger's Den	2,445	-	2,445	-
Tri-M	220	500	706	14
Video Club	8,656	392	921	8,127
Volleyball Club	1,902	2,722	2,331	2,293
Winterguard	250	-	250	-
Wrestling	3,286	1,692	4,287	691
TOTAL	\$ 169,583	\$ 315,280	\$ 330,846	\$ 154,017

(See accompanying notes to financial statement)

CORTLAND ENLARGED CITY SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

NOTES TO FINANCIAL STATEMENT

June 30, 2019

(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 one 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, 2019. 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 2018-19 fiscal year:
1. Although we noted improvement in the preparation of profit and loss statements, there were several fundraisers for 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.
 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.

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

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 guidance, *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

10. The change funds for the Jr. High Team 4 Class Trip and Volleyball Pancake fundraiser were established from cash receipts.
- 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 25 instances (out of 29 payments examined) in which payment orders were missing at least one of the three required authorizing signatures. In the prior year we noted 20 instances (out of 28 payments examined).
 2. In the current year we noted 2 instances (out of 10 taxable payments) in which sales tax was not paid. In the prior year we noted 4 instances (out of 15 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 All Night Party Club and Golf Club conducted raffles during the year.

In an effort to address these items, we have been informed that the District has closed several of the clubs which did not appear to meet the New York State guidance in the next fiscal year. We commend the District for taking this step, however, the District should continue to 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 consistent with New York State guidance, and an adequate system of internal control is in place.

Current Year Deficiency in Internal Control:

Field Hockey –

Our examination revealed that the Faculty Advisor was reimbursed for the purchase of coffee mugs for a fundraiser with the cash receipts from the mug sales.

We recommend all receipts be deposited intact and all payments/reimbursements be made by check.

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 guidance, *The Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds*, to provide guidance on policies and procedures relating to extraclassroom activities. 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 Alive at 25 Club, the Photo Club and the S.A.D.D. Club were financially inactive during 2018-19 fiscal year:

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:

All prior year recommendations have been noted above.

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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.

Rochester, New York
December 10, 2019

Raymond F. Wagner, CPA, PC