

CORTLAND ENLARGED CITY SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

FINANCIAL REPORT

For Year Ended June 30, 2017

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Certified Public Accountants

Shareholders:

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Members of
American Institute of
Certified Public Accountants
and
New York State Society of
Certified Public Accountants

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, 2017 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, 2017, 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.

Raymond F. Wager, CPA, P.C.

November 17, 2017

CORTLAND ENLARGED CITY SCHOOL DISTRICT

Extraclassroom Activity Funds

Statement of Cash Receipts and Disbursements

For Year Ended June 30, 2017

	Cash Balance <u>July 1, 2016</u>	<u>Receipts</u>	Disburse- <u>ments</u>	Cash Balance <u>June 30, 2017</u>
Class of 2007	\$ 500	\$ -	\$ 500	\$ -
Class of 2009	985	-	985	-
Class of 2015	2,402	-	1,742	660
Class of 2016	6,319	-	1,242	5,077
Class of 2017	9,881	45,166	45,125	9,922
Class of 2018	6,339	1,902	415	7,826
Class of 2019	1,679	2,868	1,430	3,117
Class of 2020	-	2,023	-	2,023
Alive at 25	2,842	-	432	2,410
All Night Party	683	27,737	25,699	2,721
Band, Senior High	11,410	11,821	17,740	5,491
Baseball Club	867	1,536	-	2,403
Basketball Cheerleaders	1,527	-	-	1,527
Bowling Club	84	-	54	30
Boys' Basketball	1,237	13,290	14,071	456
Boys' Track	1,539	1,952	855	2,636
Champs	(86)	286	200	-
Chorus	6,273	50	270	6,053
CHS General Fund	1,694	5,907	5,505	2,096
CO-HI-AN	3,586	12,004	14,182	1,408
Cortland Theater	10,672	8,911	10,151	9,432
Field Hockey	565	154	193	526
Football Club	145	3,144	1,777	1,512
Football Cheerleaders	288	92	-	380
French Club	142	-	-	142
Freshman Interservice	914	-	-	914
Girls' Basketball	747	3,125	2,202	1,670
Girls' Lacrosse	3,303	3,442	2,549	4,196
Girls' Soccer	3,263	1,987	1,279	3,971
Girls' Softball	271	38	164	145
Girls' Tennis	-	8,144	6,450	1,694
Girls' Track	600	344	92	852
Golf Club	2,293	2,206	1,620	2,879
Guidance Account	3,739	7,491	6,881	4,349
Ink Peppers	1,138	-	614	524
International Club	1,071	-	450	621
Jr. High Band	5,730	436	1,047	5,119
Jr. High Interservice	4,596	884	1,110	4,370
Jr. High Music	4,897	4,417	4,714	4,600
Subtotal	\$ 104,135	\$ 171,357	\$ 171,740	\$ 103,752

	Cash Balance		Disburse-	Cash Balance
	<u>July 1, 2016</u>	<u>Receipts</u>	<u>ments</u>	<u>June 30, 2017</u>
Carryover Total	\$ 104,135	\$ 171,357	\$ 171,740	\$ 103,752
Jr. High Select Band	5,043	7,701	8,600	4,144
Jr. High Ski Club	3,884	-	100	3,784
Jr. High Team #1	1,741	4,068	4,251	1,558
Jr. High Team #2	2,455	3,107	2,065	3,497
Jr. High Team #4	5	-	-	5
Lacrosse Club	700	1,127	955	872
Link Crew	82	-	35	47
National Honor Society	3,646	1,538	2,310	2,874
Orchestra	5,501	5,337	6,191	4,647
JH Orchestra	226	3,825	3,240	811
Photo Club	249	-	-	249
Relay for Life Club	2,648	168	549	2,267
Renaissance Club	132	-	55	77
Runners Club	1,683	5,068	5,180	1,571
S.A.D.D.	391	-	-	391
Sr. High Interservice	12,874	7,058	7,664	12,268
Soccer Club	1,235	2,800	2,177	1,858
Stage Craft	40	-	40	-
Student Council	3,588	6,312	5,902	3,998
Student Senate	7,523	19,958	18,773	8,708
Technology Club	262	607	260	609
Tennis Club	1,127	938	1,458	607
Tiger's Den	2,445	-	-	2,445
Toys from Teachers	571	-	571	-
Tri-M	455	264	399	320
Video Club	8,667	3,299	2,849	9,117
Volleyball Club	1,374	1,541	1,626	1,289
Winterguard	250	-	-	250
Wrestling	6,740	2,456	6,752	2,444
General Organization	1,518	1	-	1,519
TOTAL	\$ 181,190	\$ 248,530	\$ 253,742	\$ 175,978

(See accompanying notes to financial statement)

() Denotes red figure.

CORTLAND ENLARGED CITY SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

NOTES TO FINANCIAL STATEMENT

June 30, 2017

(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, one savings 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, 2017. 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 the previous fiscal year audit, and were not addressed during the 2016-17 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.
 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. Treasurer's receipts were not issued to students when money was turned in for deposit.

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

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

7. Not all clubs had elected student officers.
8. Students are not always involved in maintaining a separate club ledger.
9. Students are not always involved in counting cash, preparing deposits, or preparing payment orders.
10. 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	Class of 2015
Team IV	Toys from Teachers	Class of 2016
Relay for Life		

- B.** The following items related to testing of transactions were noted in both the prior year and current year, respectively:
1. In the current year we noted 21 instances (out of 27 payments examined) in which payment orders were missing at least one of the three required authorizing signatures, in the prior year we noted 33 instances (out of 38 payments examined).
 2. In the current year we noted 8 instances (out of 14 taxable payments) in which sales tax was not paid on taxable purchases, in the prior year we noted 7 instances (out of 15 taxable payments).
 3. In both years we 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.

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:

Raffles –

During the course of our examination we noted that the Football Club conducted a raffle during the 2016-2017 fiscal year.

We recommend the Administration review this activity to determine if it is in accordance with District guidelines.

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

(Current Year Deficiencies in Internal Control) (Continued)

Receipts --

During the course of our examination, we noted three instances in which deposit slips were missing one of the two required signatures.

We recommend that both the Student Treasurer and Faculty Advisor sign the deposit slip.

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 2016-17 fiscal year:

Basketball Cheerleaders	French Club
Freshman Interservice	Winterguard

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

Junior High Team #4	S.A.D.D.
Tiger's Den	Photo Club

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. The Central Treasurer and Faculty Advisors interviewed have been made aware of the results of our prior audits.

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

(Prior Year Recommendations Resolved) (Continued)

2. The Champs Club did not have a deficit balance at year end as it was closed out during the 2016-17 year.
3. The Central Treasurer and Faculty Advisors interviewed were aware of the District's whistleblower policy.
4. All the receipts under examination appeared to have been deposited in a timely manner.
5. The Cortland Theatre did not use cash collected from presale tickets to purchase concession items.
6. No Faculty Advisors interviewed took cash receipts home before turning them into the Central Treasurer for deposit.
7. All payments examined were supported with itemized receipts.
8. We did not find any gift or prizes awarded that were not supported by a signed receipt from the individual acknowledging receipt.
9. The District held a training in the Spring of 2017 to address some of the findings listed 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.

Raymond J. Wager, CPA, PC

November 17, 2017