

CORTLAND ENLARGED CITY SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
FINANCIAL REPORT

For Year Ended June 30, 2020

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

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MENGEL METZGER BARR & CO. LLP

RAYMOND F. WAGER, CPA, P.C. DIVISION

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, 2020 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, 2020, 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.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
December 7, 2020

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

For Year Ended June 30, 2020

	Cash Balance			Cash Balance
	<u>July 1, 2019</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>June 30, 2020</u>
Class of 2017	\$ 1,278	\$ -	\$ 1,278	\$ -
Class of 2018	4,055	-	4,055	-
Class of 2019	3,089	58	494	2,653
Class of 2020	14,034	27,043	32,322	8,755
Class of 2021	9,300	4,024	2,270	11,054
Class of 2022	7,429	20,158	15,424	12,163
Class of 2023	-	13,341	7,556	5,785
Class of 2024	-	3,255	-	3,255
Alive at 25	2,410	-	2,410	-
All Night Party	2,020	-	2,020	-
Band, Senior High	432	100	117	415
Bowling Club	422	-	422	-
Boys' Basketball	376	-	376	-
Boys' Track	3,361	830	4,191	-
Champs	-	17,277	17,277	-
Chorus	3,849	-	205	3,644
CHS General Fund	1,117	6	1,123	-
CO-HI-AN	2,421	1,277	1,294	2,404
Cortland Theater	8,116	6,342	5,532	8,926
Field Hockey	2,663	-	2,663	-
Football Club	804	-	804	-
Football Cheerleaders	1,228	-	1,228	-
French Club	200	870	515	555
Freshman Interservice	511	-	511	-
Girls' Basketball	231	-	231	-
Girls' Lacrosse	2,383	50	2,433	-
Girls' Soccer	5,381	-	5,381	-
Girls' Softball	100	-	100	-
Girls' Tennis	540	-	540	-
Girls' Track	830	-	830	-
Golf Club	3,390	-	3,390	-
Guidance Account	2,046	9,394	1,699	9,741
Ink Peppers	56	-	56	-
International Club	321	-	-	321
Subtotal	\$ 84,393	\$ 104,025	\$ 118,747	\$ 69,671

	Cash Balance			Cash Balance
	<u>July 1, 2019</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>June 30, 2020</u>
Carryover Total	\$ 84,393	\$ 104,025	\$ 118,747	\$ 69,671
Jr. High Band	995	-	-	995
Jr. High Interservice	1,636	1,831	291	3,176
Jr. High Music	4,155	336	325	4,166
Jr. High Select Band	5,488	-	13	5,475
Jr. High Ski Club	2,607	100	1,358	1,349
Jr. High Team #1	1,219	2,906	2,705	1,420
Jr. High Team #2	3,286	4,519	2,569	5,236
Jr. High Team #3	161	-	-	161
Jr. High Team #4	725	259	720	264
Lacrosse Club	1,559	-	1,559	-
Link Crew	291	500	284	507
National Honor Society	4,133	-	308	3,825
Orchestra	4,295	16,980	17,219	4,056
JH Orchestra	559	-	481	78
Photo Club	747	-	-	747
Relay for Life Club	1,693	-	500	1,193
Runners Club	3,136	-	3,136	-
S.A.D.D.	252	-	-	252
Science Honor Society	-	6,403	4,712	1,691
Sr. High Interservice	8,272	10,541	10,711	8,102
Soccer Club	2,855	-	2,855	-
Student Council	5,324	6,429	5,835	5,918
Student Senate	3,291	5,889	4,071	5,109
Technology Club	792	50	150	692
Tennis Club	1,028	-	1,028	-
Tri-M	14	483	350	147
Video Club	8,127	155	581	7,701
Volleyball Club	2,293	-	2,293	-
Wrestling	691	-	691	-
TOTAL	<u>\$ 154,017</u>	<u>\$ 161,406</u>	<u>\$ 183,492</u>	<u>\$ 131,931</u>

(See accompanying notes to financial statement)

CORTLAND ENLARGED CITY SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

NOTES TO FINANCIAL STATEMENT

June 30, 2020

(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.

(Note 3) Subsequent Events:

Our examination disclosed disbursements relating to the 2019-20 fiscal year which were not transacted and recorded until the 2020-21 fiscal year as follows:

<u>Activity</u>	<u>Disbursements</u>
Guidance Account	<u>\$6,830</u>

If this amount had been recorded prior to year end, the effect would have been a reduction of the total cash balance in the amount of \$6,830 at June 30, 2020. The Guidance Account has been removed from the Extraclassroom funds, subsequent to year end.

(Note 4) COVID-19:

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risk to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

This outbreak and the continuing effects of the COVID-19 health crisis resulted in limited activities and student involvement in the Extraclassroom activities and transactions from the date of closure to the end of the fiscal year.

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, 2020. 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 Pending Corrective Action:

- A. The following general audit findings were noted in previous fiscal year audits, and were not addressed during the 2019-20 fiscal year:
1. We noted several fundraisers for which profit and loss statements were not prepared. We also noted that items included on several of the profit and loss statements that were prepared could not be traced to the general ledger. In addition, there is a lack of student involvement in preparing the profit and loss statements.
 2. Sales tax is not being collected and remitted on taxable fundraisers.
 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 Pending Corrective Action) (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 guidance, *The Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds*:

CHAMPS

Jr. High Select Band

Team II

Jr. High Interservice

Jr. High Music

Team IV

Jr. High Ski Club

Team I

Relay for Life

B. The following items related to testing of transactions were noted in both prior years and the current year, respectively:

1. Payments are being processed by the Central Treasurer without all necessary approvals. In the current year we noted 9 instances (out of 17 payments examined prior to COVID-19) in which payment orders were missing at least one of the three required authorizing signatures. In the prior year we noted 25 instances (out of 29 payments examined).
2. In the current year we noted 3 instances (out of 6 taxable payments) in which sales tax was not paid. In the prior year we noted 2 instances (out of 10 taxable payments).
3. Payments are being processed by the Central Treasurer without any support for the amount or reasoning for the expenditure. 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.

To address these items, the District has closed several of the clubs which did not appear to meet the New York State guidance. 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 Deficiencies in Internal Control:

Central Treasurer –

During our examination we noted that the Central Treasurer does not periodically meet with Student Treasurers to ensure that club-maintained ledgers agree with the ledger being maintained by the Central Treasurer.

We recommend the Central Treasurer meet with Student Treasurers periodically throughout the year to ensure that balances are reconciled between the independent ledgers. The Central Treasurer should also be provided with a copy of the audit report, so that deficiencies can be addressed and corrected.

Inventory Safeguarding –

During the course of our examination, we noted the Class of 2023 was holding a snack sale fundraiser when the school was closed to in person instruction. The order for the fundraiser was placed and the items were delivered to the District, however, the delivery did not immediately get to the Class, and when it did, items were missing from the order. As a result, the Class paid for the items, and issued refunds to the purchasers.

We recommend all deliveries indicate clear delivery instructions with a comparison of items received to the packing slip and a sign off by the person receiving the order.

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:

Fiscal Accountability and Oversight –

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. In accordance with this guidance, the District has implemented standard operating procedures, and conducted annual training for Faculty Advisors and the Central Treasurer. However, we were informed that the procedures are not always enforced at the building level, and in some instances Faculty Advisors have been instructed to take actions in direct contradiction to the training provided.

Inactive Clubs –

As indicated on the statement of cash receipts and disbursements, the International Club, Junior High Band, Junior High Interservice, Junior High Team 3, Photo Club, and S.A.D.D. Club were financially inactive during 2019-20 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:

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

1. Our examination did not reveal any raffles held during the 2019-20 fiscal year.
2. We did not note any instances where cash receipts were used to make payments.
3. There is now a change fund established that is signed out for when needed by the respective clubs.

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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.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
December 7, 2020