

CORTLAND ENLARGED CITY SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
FINANCIAL REPORT

For Year Ended June 30, 2021



MENGEL METZGER BARR & CO. LLP

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, 2021 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, 2021, 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, Barw & Co. LLP

Rochester, New York
December 20, 2021

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

For Year Ended June 30, 2021

	Cash Balance			Cash Balance
	<u>July 1, 2020</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>June 30, 2021</u>
Class of 2019	\$ 2,653	\$ -	\$ 2,653	\$ -
Class of 2020	8,755	375	5,524	3,606
Class of 2021	11,054	11,702	18,716	4,040
Class of 2022	12,163	13,474	9,600	16,037
Class of 2023	5,785	7,953	2,041	11,697
Class of 2024	3,255	-	-	3,255
Band, Senior High	415	21	213	223
Champs	-	1,695	1,695	-
Chorus	3,644	-	122	3,522
CO-HI-AN	2,404	3,723	-	6,127
Cortland Theater	8,926	116	2,770	6,272
French Club	555	240	-	795
Guidance Account	9,741	5	9,746	-
International Club	321	-	-	321
Jr. High Band	995	5,475	235	6,235
Jr. High Interservice	3,176	-	1,362	1,814
Jr. High Music	4,166	-	93	4,073
Jr. High Select Band	5,475	-	5,475	-
Jr. High Ski Club	1,349	-	1,349	-
Jr. High Team #1	1,420	854	-	2,274
Jr. High Team #2	5,236	-	-	5,236
Jr. High Team #3	161	-	-	161
Jr. High Team #4	264	-	-	264
Link Crew	507	-	50	457
National Honor Society	3,825	300	57	4,068
Orchestra	4,056	612	399	4,269
JH Orchestra	78	-	-	78
Photo Club	747	-	-	747
Relay for Life Club	1,193	-	-	1,193
S.A.D.D.	252	-	-	252
Science Honor Society	1,691	45	345	1,391
Sr. High Interservice	8,102	8,294	6,897	9,499
Student Council	5,918	5,711	8,392	3,237
Student Senate	5,109	74	885	4,298
Technology Club	692	-	-	692
Tri-M	147	-	139	8
Video Club	7,701	620	67	8,254
TOTAL	<u>\$ 131,931</u>	<u>\$ 61,289</u>	<u>\$ 78,825</u>	<u>\$ 114,395</u>

(See accompanying notes to financial statement)

CORTLAND ENLARGED CITY SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

NOTES TO FINANCIAL STATEMENT

June 30, 2021

(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 Custodial 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) 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.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, limited activities and student involvement in the Extraclassroom activities and transactions have resulted from the date of closure through the end of the 2020-21 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, 2021. 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 2020-21 fiscal year:
 - 1. While we noticed great improvement with profit and loss statements being prepared and available for our review, we noted 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. 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*:

Relay for Life	CHAMPS	Jr. High Music	Jr. High Interservice
Jr. High Team #1	Jr. High Team #2	Jr. High Team #3	Jr. High Team #4

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 19 instances (out of 20 payments examined) in which payment orders were missing at least one of the three required authorizing signatures. In the prior year we noted 9 instances (out of 17 payments examined prior to COVID-19).
2. 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 Deficiency in Internal Control:

Gift Cards–

During our examination we noted three instances where gift cards were given as prizes however there was no evidence of students acknowledging receipt of these gift cards.

We recommend that any time gift cards are given out that there are meeting minutes to support the expenditure as well as signatures by individuals receiving the gift cards acknowledging receipt.

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 Class of 2024, the International Club, Junior High Team 2, Junior High Team 3, Junior High Team 4, Junior High Orchestra, Photo Club, Relay for Life, S.A.D.D. Club, and Technology Club were financially inactive during 2020-21 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.

Related Party

During the course of our examination, we noted that the Student Treasurer of the Class of 2023 was related to one of the Faculty Co-Advisors.

Although our examination revealed no irregularities, we recommend this situation continue to be reviewed in order to help strengthen internal accounting controls.

Prior Year Recommendations:

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

1. Inventory appeared to be properly safeguarded, and there were no instances of missing items from deliveries.
2. The district has a process to compare the independently maintained club ledger balances to the ledgers maintained by the business office on a monthly basis.
3. The Central Treasurer received a copy of our report from the previous audit.
4. Sales tax appears to have been paid on all taxable purchases.

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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 20, 2021