

**CORTLAND ENLARGED CITY SCHOOL DISTRICT**  
**EXTRACLASSROOM ACTIVITY FUNDS**  
**FINANCIAL REPORT**

**For Year Ended June 30, 2022**



**MENGEL METZGER BARR & CO. LLP**

*Certified Public Accountants*

## **T A B L E   O F   C O N T E N T S**

Independent Auditors' Report	1 – 2
Statement of Cash Receipts and Disbursements for year ended June 30, 2022	3
Notes to Financial Statement	4
Auditors' Findings and Evaluation	5 – 8

## **INDEPENDENT AUDITORS' REPORT**

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

### ***Qualified and Unmodified Opinions***

We have audited the accompanying statement of cash receipts and disbursements of the Extraclassroom Activity Funds of the Cortland Enlarged City School District for the year ended June 30, 2022 and the related notes to the financial statement.

### ***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, 2022, in accordance with the cash basis of accounting as described in Note 1.

### ***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.

### ***Emphasis of Matter – 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.

## ***Responsibility of Management for the Statement of Cash Receipts and Disbursements***

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; and for 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 Responsibilities for the Audit of the Financial Statement***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Mengel, Metzger, Barw & Co. LLP*

Rochester, New York  
December 20, 2022

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

**For Year Ended June 30, 2022**

	<b>Cash Balance</b>			<b>Cash Balance</b>
	<b><u>July 1, 2021</u></b>	<b><u>Receipts</u></b>	<b><u>Disbursements</u></b>	<b><u>June 30, 2022</u></b>
Class of 2020	\$ 3,606	\$ -	\$ 3,606	\$ -
Class of 2021	4,040	-	4,040	-
Class of 2022	16,037	43,852	50,106	9,783
Class of 2023	11,697	9,667	5,709	15,655
Class of 2024	3,255	5,982	2,352	6,885
Class of 2025	-	9,377	338	9,039
Class of 2026	-	500	-	500
Sr. High Band	223	-	-	223
Chorus	3,522	-	123	3,399
CO-HI-AN	6,127	773	314	6,586
Cortland Theater	6,272	6,778	5,115	7,935
French Club	795	1,110	852	1,053
International Club	321	100	-	421
Jr. High Band	6,235	957	1,080	6,112
Jr. High Interservice	1,814	-	341	1,473
Jr. High Music	4,073	1,264	2,073	3,264
Jr. High Team #1	2,274	1,200	2,621	853
Jr. High Team #2	5,236	3,062	5,322	2,976
Jr. High Team #3	161	2,303	1,778	686
Jr. High Team #4	264	-	-	264
Link Crew	457	-	167	290
National Honor Society	4,068	119	769	3,418
Sr. High Orchestra	4,269	-	-	4,269
Jr. High Orchestra	78	-	-	78
Pay It Forward	-	1,831	147	1,684
Photo Club	747	-	-	747
Relay for Life Club	1,193	-	-	1,193
S.A.D.D.	252	-	-	252
Science Honor Society	1,391	4,277	4,368	1,300
Sr. High Interservice	9,499	3,890	4,849	8,540
Student Council	3,237	9,995	9,831	3,401
Student Senate	4,298	18,874	19,522	3,650
Technology Club	692	-	27	665
Tri-M	8	315	191	132
Video Club	8,254	640	651	8,243
<b>TOTAL</b>	<b><u>\$ 114,395</u></b>	<b><u>\$ 126,866</u></b>	<b><u>\$ 126,292</u></b>	<b><u>\$ 114,969</u></b>

(See accompanying notes to financial statement)

**CORTLAND ENLARGED CITY SCHOOL DISTRICT**

**EXTRACLASSROOM ACTIVITY FUNDS**

**NOTES TO FINANCIAL STATEMENT**

**June 30, 2022**

**(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.

## **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, 2022. 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 2021-22 fiscal year:
  - 1. While we noticed improvement with the traceability of profit and loss statements to the general ledger, there still appears to be a lack of student involvement in preparing the profit and loss statements. In all instances we examined, the profit and loss statements which were prepared lacked the signature of the Student Treasurer.
  - 2. Sales tax is not being collected and remitted on taxable fundraisers.
  - 3. 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, when required.
  - 4. Treasurer's receipts are not pre-numbered.

## **(Prior Year Deficiencies Pending Corrective Action) (Continued)**

- B. The following items related to testing of transactions were noted in both prior years and the current year, respectively:
1. We noted a significant decrease in the number of payments which were processed by the Central Treasurer without all necessary approvals. In the current year we noted 6 instances (out of 19 payments examined) in which payment orders were missing at least one of the three required authorizing signatures. In the prior year we noted 19 instances (out of 20 payments examined during the COVID-19 pandemic).
  2. Payments are being processed by the Central Treasurer without any supporting documentation. 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. Although we have noted improvement in this area, in the current year, there was one instance in which the Sr. High Interservice Club made a scholarship payment to a student without the support of meeting minutes indicating that a majority of members approved of the expenditure.

To address these items, the District has closed or made changes in several clubs which previously 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 consistently, and an adequate system of internal control is in place.

## **Current Year Deficiencies in Internal Control:**

### **Student Participation –**

During our interviews, we were informed that the Faculty Advisor for the Class of 2023 maintains the books without the assistance of the Student Treasurer.

In an effort to conform to New York State guidelines and to promote student involvement, we recommend the Student Treasurer together with the Faculty Advisor, be directly involved in all financial transactions of the organization.

### **Fundraising Approval –**

Our examination revealed that there is no formal approval process for fundraising activities.

We recommend the District prepare a fundraiser request form that is required to be completed by the Faculty Advisors and signed and approved by the building principal prior to the commencement of the fundraiser.



## **(Current Year Deficiencies in Internal Control) (Continued)**

### **Internal Accounting Controls –**

Our review of internal accounting controls revealed that no one from Administration is currently reviewing the extraclassroom financial records during the year. In addition, there is no formal process in place for clubs to reconcile their books with those maintained by the Central Treasurer.

We recommend someone from Administration be delegated the responsibility of reviewing the financial records of the extraclassroom account at least on a quarterly basis. In addition, a separate set of financial records should be maintained by each club, which should be compared with those maintained by the Central Treasurer.

### **Certificate of Deposit –**

Our review of year-end cash revealed that the Certificate of Deposit statement was unavailable for review.

### **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:

### **Inactive Clubs –**

As indicated on the statement of cash receipts and disbursements, the Sr. High Band, Jr. High Team #4, Sr. High Orchestra, Jr. High Orchestra, Photo Club, Relay for Life Club and S.A.D.D. were financially inactive during 2021-22 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 Jr. High Band was related to one of the Faculty Co-Advisors.

Although our examination revealed no irregularities, we recommend that this situation 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. All profit and loss statements examined were easily traceable to the general ledger.
2. Prenumbered tickets or tally sheets were used to track attendance at events requiring an admission charge, and ticket reconciliations were prepared for those events examined.
3. We did not identify any instances where gift cards were given as prizes.

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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, Baw & Co. LLP*

Rochester, New York  
December 20, 2022