

HORSEHEADS CENTRAL SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

FINANCIAL REPORT

For Year Ended June 30, 2017

TABLE OF CONTENTS

Independent Auditors' Report	1 - 2
Statement of Cash Receipts and Disbursements for year ended June 30, 2017	3 - 4
Notes to Financial Statement	5
Auditors' Findings and Evaluation	6 - 9

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Members of
American Institute of
Certified Public Accountants
and
New York State Society of
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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Horseheads Central School District, New York

We have audited the accompanying statement of cash receipts and disbursements of the Extraclassroom Activity Funds of the Horseheads Central 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 Horseheads Central 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.

September 21, 2017

Raymond F. Wager CPA, P.C.

HORSEHEADS CENTRAL SCHOOL DISTRICT

Extraclassroom Activity Funds

Statement of Cash Receipts and Disbursements

For Year Ended June 30, 2017

<u>High School:</u>	<u>Cash Balance</u> <u>July 1, 2016</u>	<u>Receipts</u>	<u>Disburse-</u> <u>ments</u>	<u>Cash Balance</u> <u>June 30, 2017</u>
Class of 2016	\$ 3,090	\$ -	\$ 3,090	\$ -
Class of 2017	4,922	73,368	76,950	1,340
Class of 2018	7,523	23,892	32,197	(782)
Class of 2019	6,148	10,451	7,323	9,276
Class of 2020	-	14,907	9,561	5,346
Academic Challenge	1,641	1	35	1,607
Band Trip	15,147	6,910	22,057	-
Debate Club	585	1	-	586
Drama Club	15,069	32,159	35,341	11,887
Interact	1,168	4,613	4,220	1,561
Marching Band	782	49,697	35,707	14,772
National Honor Society	6,583	11,703	11,659	6,627
Science Club	1,872	2,621	2,908	1,585
Student Council	18,939	1,849	2,150	18,638
Yearbook	18,971	9,351	14,479	13,843
Sales Tax / Interest	843	3,538	4,120	261
Total High School	\$ 103,283	\$ 245,061	\$ 261,797	\$ 86,547

<u>Athletic Department</u>	Cash Balance	<u>Receipts</u>	Disburse-	Cash Balance
	<u>July 1, 2016</u>		<u>ments</u>	<u>June 30, 2017</u>
Baseball	\$ 377	\$ 14,689	\$ 14,885	\$ 181
Boys Basketball	20	2,471	2,210	281
Boys Lacrosse	3,948	20,333	20,263	4,018
Boys Soccer	3,268	2,067	2,998	2,337
Boys Swimming	1,436	7,284	7,959	761
Boys Tennis	1,656	295	-	1,951
Boys Volleyball	832	-	832	-
Cross Country	30	-	-	30
Fall Cheerleading	552	17,841	11,955	6,438
Girls Basketball	266	12,545	11,558	1,253
Girls Lacrosse	3,488	1,192	1,865	2,815
Girls Soccer	47	1,180	1,075	152
Girls Swimming	3,580	12,540	11,685	4,435
Girls Tennis	409	730	-	1,139
Girls Volleyball	2,353	5,050	4,974	2,429
Golf	803	-	137	666
Softball	2,264	17,167	16,237	3,194
Softball Scholarship	1,930	-	-	1,930
Spring Track	45	-	-	45
Summer Camps	216	52,605	50,087	2,734
Varsity H	6,021	50,987	44,738	12,270
Winter Cheerleading	13	-	-	13
Wrestling	3,506	-	472	3,034
Sales Tax	-	7,676	7,037	639
Total Athletic Department	\$ 37,060	\$ 226,652	\$ 210,967	\$ 52,745
	Cash Balance		Disburse-	Cash Balance
<u>Middle School:</u>	<u>July 1, 2016</u>	<u>Receipts</u>	<u>ments</u>	<u>June 30, 2017</u>
Student Council	\$ 6,472	\$ 9,737	\$ 6,636	\$ 9,573
School Store	2,295	4,164	3,629	2,830
Sales Tax	128	650	594	184
Yearbook	1,257	-	-	1,257
Total Middle School	\$ 10,152	\$ 14,551	\$ 10,859	\$ 13,844
GRAND TOTAL	\$ 150,495	\$ 486,264	\$ 483,623	\$ 153,136

(See accompanying notes to financial statement)

() Denotes red figure.

HORSEHEADS CENTRAL 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 the Horseheads Central 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 the Horseheads Central 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 three checking accounts. Two accounts are maintained at Chemung Canal Trust Company and one account is maintained at Elmira Savings Bank. The balance in these accounts is fully covered by FDIC Insurance.

HORSEHEADS CENTRAL SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

AUDITORS' FINDINGS AND EVALUATION

We have examined the statement of cash receipts and disbursements of the Horseheads Central 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. In particular, cash being handled by numerous students and faculty advisors at various functions provides an atmosphere of limited control over those receipts

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 Acton:

General Findings –

Student Involvement

As required by the New York State Education Department student involvement is a key component in the educational experience of the students in the operation of the student activity funds. This includes the preparation of profit and loss statements for fundraising events, involvement in the preparation of receipts and disbursements, and maintaining a separate set of books. Based on our testing we only identified a limited number of profit and loss statements prepared for fund raising events for all clubs. In addition there was limited involvement with the students in the receipts and disbursements and maintenance of a separate set of books by activities in the Athletic Department.

We recommend the District develop a plan to enhance the student participation in the preparation of profit and loss statements, maintaining a separate set of books, and participation in the receipts and disbursements of the program.

(Prior Year Deficiencies Pending Corrective Action) (Continued)

Disbursements

During our review of the cash disbursement procedures, we noted several instances where one of the three required signatures were not included on the payment order.

All payment orders should include the signature of the Student Treasurer, the Faculty Advisor, and the Chief Faculty Advisor prior to being processed for payment by the Central Treasurer.

Reconciliations

During the course of our examination, we noted two instances in the High School, and three instances in the Middle School, in which there was no reconciliation prepared for items sold to the total receipts collected.

We recommend a reconciliation of items sold to total cash collected be prepared and turned in with the deposit.

Sales Tax

During the course of our examination, we noted three instances in the Athletics Department and two instances in the High School where sales tax was not paid on taxable purchases.

We recommend every effort continue to be made to comply with New York State Sales Tax Law regarding the payment of sales tax on those purchases which are not intended for resale.

Donations

During the course of our examination, we noted that clubs at the Middle School and High School made donations or gave gifts without a majority of club members indicating approval to donate club funds.

We recommend all donations by clubs should be approved by a majority of the respective clubs members and should be documented in the meeting minutes.

Gift Cards

During the course of our examination, we noted that the Summer Camp, MS Student Council, and Class of 2017 purchased gift cards. There was no signed documentation indicating the individuals that received the gift cards.

The District should review this item to determine if this practice should continue. In addition, the District should request acknowledgement of receipt of the gift card from those individuals who receive them.

(Prior Year Deficiencies Pending Corrective Action) (Continued)

Disbursements

Our review of disbursements revealed one instance in the Drama Club, one instance in the Boys Soccer Club and one instance in the Boys Lacrosse Club where items purchased were shipped to a home address instead of the District.

We recommend that all goods purchased through the Extraclassroom Activities account be shipped directly to the District

Current Year Deficiencies in Internal Control:

General Findings –

Sales Tax –

During our examination, we noted one instance in the Cheerleading Club, and two instances in the Middle School Student Council in which sales tax was not remitted on gross sales from fundraising activities. In addition, we noted two instances in which sales tax was not remitted on gross sales from events Girls Tennis spaghetti dinner, and the Girls Swimming golf tournament.

We recommend every effort continue to be made to comply with New York State Sales Tax Law regarding the remittance of sales tax on gross sales from taxable fundraising activity.

High School –

Class of 2018 –

During the course of our examination we noted the following:

1. As indicated in the statement of cash receipts and disbursements the Class of 2018 had a deficit cash balance at year end of \$782. The club's general ledger shows deposits totaling \$9,262, and expenses totaling \$22,986 relating to the prom.
2. The profit and loss statement for the prom indicates that 225 tickets were sold at \$45 per ticket, and 16 students earned free prom tickets through fundraising efforts. However, the listing of tickets issued to students totals 305, leaving a discrepancy of 64 ticket sales unaccounted for. In addition, there are gaps in the sequential listing of tickets for a total of 18 tickets without explanation.
3. There were two instances of payments for prom services that did not have supporting invoices with the payment orders.
4. There was one instance in which an individual was reimbursed for prom decorations and was overpaid by \$23.87.

We recommend the Administration review these items, and develop the necessary corrective action.

Other Item:

The following item is not considered to be a deficiency in internal control, however, we consider it an other item which we would like to communicate to you as follows:

Inactive Clubs –

As indicated on the statement of cash receipts and disbursements the Debate, Cross Country, Softball Scholarship, Spring Track, Winter Cheerleading, and the Middle School Yearbook Clubs were financially inactive during the 2016-17 fiscal year.

We recommend the status of these clubs be reviewed. If future financial transactions are not anticipated, they should be closed in accordance with the Board of Education policy.

Internal Audit –

The District completed an internal audit over certain extraclassroom activity funds in which the District is in the process of implementing corrective action.

Prior Year Recommendations:

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

1. Deposits selected for testing appear to have been made timely.
2. There did not appear to be any raffles held during the year under examination.

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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.

September 21, 2017

Raymond F. Wager CPA, P.C.