

**BETHLEHEM CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
FINANCIAL REPORT
JUNE 30, 2023**

**BETHLEHEM CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND**

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BUSINESS
ADVISORS
AND CPAS

INDEPENDENT AUDITOR'S REPORT

To the President and Members of
the Board of Education of the
Bethlehem Central School District

Qualified Opinion

We have audited the accompanying statement of cash receipts, disbursements and cash balances of the Extraclassroom Activity Fund of Bethlehem Central School District, as of and for the year ended June 30, 2023, and the related note to the financial statement.

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statement referred to above presents fairly, in all material respects, the cash receipts, disbursements and cash balances of the Extraclassroom Activity Fund of Bethlehem Central School District as of and for the year ended June 30, 2023, in accordance with the cash basis of accounting described in Note 1.

Basis for Qualified Opinion

Insufficient accounting controls are exercised over cash receipts at the point of collection to the time of submission to the Central Treasurer. Accordingly, we were unable to obtain sufficient audit evidence over such receipts beyond the amounts recorded.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Prior Period Financial Statement

The opening cash balances as of July 1, 2022, included in the statement of cash receipts, disbursements and cash balances as of and for the year ended June 30, 2023, were audited by Marvin and Company, P.C., who merged with Mengel, Metzger, Barr & Co. LLP as of January 1, 2023, as part of their audit of the June 30, 2022 financial statement of the Extraclassroom Activity Fund, and whose report dated October 12, 2022, expressed a qualified opinion on that statement.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting as 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 a financial statement that is free from material misstatement, whether due to fraud or error.

Basis of Accounting

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. The 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.

Auditor's Responsibility for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 statement.

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 statement, 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 statement.
- 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 statement.
- 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.

Very yours truly,

Mengel, Metzger, Barw & Co. LLP

Latham, NY
December 21, 2023

**BETHLEHEM CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CASH BALANCES
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023**

<u>Activities and Clubs</u>	<u>Balance July 1, 2022</u>	<u>Receipts</u>	<u>Dis- bursements</u>	<u>Balance June 30, 2023</u>
High School				
100 Student Senate	\$ 53,375	\$ 17,958	\$ 15,882	\$ 55,451
108 Buy It (School Store)	2,830	5,495	2,414	5,911
109 Oriole (BCHS Yearbook)	2,247	14,540	15,283	1,504
111 Spanish Honor Society	661	903	1,025	539
112 Amnesty International	997	925	925	997
113 Key Club	1,907	1,364	1,167	2,104
114 Speech & Debate	4	80	75	9
115 Robotics Club	901	-	-	901
116 Thinking Reed	2,423	1,978	3,234	1,167
117 History Bowl	133	-	65	68
118 Hooligans	137	-	-	137
119 Peer Helpers	665	-	-	665
120 S.A.D.D.	487	-	444	43
121 Medical Club	197	35	172	60
122 Active Minds	470	37	-	507
123 French Club	134	189	158	165
124 VJCAT	4,130	959	-	5,089
125 BCHS Eagles Ultimate Frisbee	2,257	-	112	2,145
126 Stage 700	24,763	43,583	20,786	47,560
127 Build It	2,399	-	483	1,916
128 Table Tennis	192	-	-	192
129 Students for Peace & Survival	608	1,152	902	858
130 No Place for Hate	57	-	-	57
131 Masterminds & Science Bowl	1,439	-	218	1,221
132 International Club	340	-	-	340
133 Science Olympiad	2,381	1,986	697	3,670
134 Environmental Club	305	242	35	512
135 Spanish Club	3,046	-	-	3,046
136 Gender Equality	145	-	-	145
137 Gender and Sexualities Alliance	184	-	-	184
139 Theatre Without a Net/Shakespeare	20,225	5,356	12,148	13,433
140 Math Honor Society	276	600	-	876
141 ALANA	1,039	6,289	6,320	1,008
142 Computer Science Honor	370	247	157	460
143 UNICEF	231	-	-	231
144 Art Alliance	111	-	-	111
146 Esports	-	543	105	438
147 HOSA	-	401	154	247
152 Best Buddies	1,101	-	209	892
155 Future Business Leaders of America	276	140	290	126
222 Class of 2022	4,035	-	4,035	-
223 Class of 2023	1,132	44,244	44,421	955
224 Class of 2024	-	22,106	20,800	1,306
Act 6240063692	399	68,097	68,348	148
Total High School	\$ 139,009	\$ 239,449	\$ 221,064	\$ 157,394

See accompanying note to financial statement.

BETHLEHEM CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CASH BALANCES
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

<u>Activities and Clubs</u>	<u>Balance July 1, 2022</u>	<u>Receipts</u>	<u>Dis- bursements</u>	<u>Balance June 30, 2023</u>
Middle School				
100 Student Council 8	\$ 4,745	\$ -	\$ 1,757	\$ 2,988
102 World Community Service	1,700	-	-	1,700
105 Student Council 7	276	467	69	674
106 Mohawk 7 (1)	496	-	-	496
109 Sports Club	5,245	4,783	3,021	7,007
110 Student Council 6	-	864	-	864
112 Mohawk 6 (1)	423	-	138	285
114 Patroon 6 (1)	763	-	188	575
116 Stage 332	29,250	22,510	11,324	40,436
120 BCSM S.A.D.D.	1,434	-	-	1,434
122 History Club	998	-	-	998
125 Yearbook	9,298	-	9,298	-
126 Builders Club	1,967	-	224	1,743
128 Library Club	2,668	1,000	2,380	1,288
130 Junior Chef Club	102	-	-	102
132 Patroon 7 (2)	300	-	170	130
134 Patroon 6 (2)	742	-	126	616
138 School Store	1,049	1,371	1,807	613
140 Character Education	330	-	-	330
142 Random Acts of Kindness	150	-	80	70
147 Newspaper	60	-	-	60
149 Garden Club	409	7,001	5,258	2,152
152 Reach Out Club	212	-	32	180
156 Staged Creations	3,254	3,210	1,236	5,228
180 French Spanish Club	797	400	-	1,197
184 Club	-	250	96	154
Total Middle School	\$ 66,668	\$ 41,856	\$ 37,204	\$ 71,320

The June 30, 2023 cash balance is as follows:

High School	\$ 157,394
Middle School	<u>71,320</u>
	<u>\$ 228,714</u>

**BETHLEHEM CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
NOTE TO FINANCIAL STATEMENT
JUNE 30, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Extraclassroom Activity Fund of the Bethlehem Central School District represent funds of the students of the District. The Board of Education exercises general oversight of this fund. The Extraclassroom Activity Fund is independent of the District with respect to its financial transactions, and the designation of student management. Separate financial statements are issued for this fund. The District also reports this fund in its financial statements, within its general fund, in accordance with Government Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*.

The accompanying financial statement of the Bethlehem Central School District's Extraclassroom Activity Fund has been prepared on the cash receipts and disbursements basis of accounting, which is a basis of accounting other than generally accepted accounting principles. Under that basis, the only asset recognized is cash, and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements, and non-cash transactions are not recognized. The cash basis differs from generally accepted accounting principles primarily because the effects of receivables outstanding from fundraising activities and obligations for expenses unpaid at the date of the financial statement are not included in the financial statement.

Steven Terry

Treasurer / Business Administrator
sterry@bethlehemschools.org

Bethlehem Central School District

<http://bethlehemschools.org>



TO: Jody Monroe, Superintendent
Audit Committee Members

FROM: Steven Terry, Treasurer / Business Administrator

COPY: John P. McPhillips, Jr., Chief Business and Financial Officer

DATE: December 29, 2023

SUBJECT: Response to Management Letter from Independent Auditors for fiscal year ended June 30, 2023

This memo is in response to the recommendations contained within the management letter, as it relates to the ExtraClassroom Activity (ECA) Fund, from the independent auditors. We appreciate the suggestions for improvement and plan to implement each of the recommendations. The Business Office met collectively with the ECA Treasurers to discuss the audit, its findings, and opportunities for strengthening controls immediately upon availability of the AUC 265 Letter. Findings and recommendations were understood and the ECA Treasurers were part of the discussion on the corrective action plan. Each finding is specifically addressed below:

Accounting Controls Over Cash Receipts

Finding: The Extraclassroom Activity Clubs receive funds from a variety of sources, including donations, ticket sales, field trips, event admissions and product sales. However, controls over those receipts are limited.

Audit Recommendation: The Auditors recommended that the District review New York State Education Department (NYSED's) Finance Pamphlet 2 for all aspects of control over ExtraClassroom Activity Funds. As it relates to cash receipts, the District should consider documenting donations in the minutes of each club, requiring fundraisers be supported by a ticket reconciliation and requiring clubs to prepare a profit and loss statement for each fundraising event held.

Plan of Action: The Treasurer / Business Administrator, Steven Terry, will provide NYSED's Finance Pamphlet 2 to the ECA Central Treasurers and remind them that donations should be recorded in club minutes. The Business Office will coordinate with ECA treasurers on the development and implementation of a reconciliation process for ticket sales and will provide a profit/loss statement template to ECA Treasurers that can be shared with individual clubs.

ECA Cash Receipts

Deposit Receipts – High School and Middle School

Finding: During the testing of cash receipts, it was noted that 13 out of 22 Middle School receipts tested did not have a deposit receipt provided during the audit timeframe. Also, during the testing of cash receipts, it was noted that 13 out of 38 High School receipts did not have a deposit receipt provided during the audit timeframe.

Audit Recommendation: The Auditor recommended that all deposit receipts be attached to their respective receipts so that no support is lost or misplaced.

Plan of Action: The Treasurer / Business Administrator, Steven Terry, will provide NYSED's Finance Pamphlet 2 to the ECA Central Treasurers and remind them that deposit receipts must be attached to the supporting documentation.

Deposits / Timeliness – High School and Middle School

Finding: During the testing of cash receipts, it was noted that 19 out of 38 High School receipts were deposited more than five days after being collected. Also, during the testing of cash receipts, it was noted that 12 out of 22 Middle School Receipts were deposited more than five days after being collected.

Audit Recommendation: The Auditor recommended that cash receipts be turned into the Central Treasurer and deposited into the bank within five days in accordance with NYSED guidance.

Plan of Action: The Treasurer / Business Administrator, Steven Terry, will provide NYSED's Finance Pamphlet 2 to the ECA Central Treasurers and remind them that deposits must be deposited within five days.

Deposits / Approval – High School

Finding: During testing, 4 out of 60 cash receipts were missing a signature from the deposit receipt, all of which were High School receipts.

Auditor Recommendation: The Auditor recommended that emphasis be placed on having all signatures on the deposit receipts before the deposits are brought up to the Treasurer.

Plan of Action: The Treasurer / Business Administrator, Steven Terry, will provide NYSED's Finance Pamphlet 2 to the ECA Central Treasurers and remind them that deposit receipts must be attached to the supporting documentation and all signatures must be present before deposits are brought up to the Treasurer.

The CBFO, John P. McPhillips, Jr., will request that the ECA Central Treasurers be available when the auditors are on-site conducting their fieldwork in the summer to respond to inquiries and requests for documentation.

Anticipated Completion Date: January 26, 2024

ECA Cash Disbursements

Finding: During the audit, it was noted that 2 out of 38 instances in the High School where no supporting documentation to corroborate the disbursement request, such as an invoice or receipt, was provided. It was also noted that 1 out of 33 instances in the High School where the payment request did not contain the student activity treasurer's signature on the form, and 1 out of 27 instances in the Middle School.

Auditor Recommendation: The Auditors recommended that emphasis be placed on the importance of having documented physical evidence of an expenditure on behalf of the club. Additionally, the Central Treasurer should strictly enforce this guideline by probing for receipts or invoices if they are not initially provided. In the event receipts, invoices, or other evidence is impractical or impossible to produce, documentation should be prepared detailing the circumstances and signed by the Central Treasurer, authorized check signer, Student Treasurer, and Faculty Advisor.

Plan of Action: The Treasurer / Business Administrator, Steven Terry, will remind Faculty Advisors that, in addition to having appropriate documentation to support the disbursement requests, these requests must be signed by the Student Treasurer and Faculty Advisor. Also, the Central Treasurers are aware that they should enforce this requirement and return any disbursement requests that do not have the required signatures and documentation.

Anticipated Completion Date: January 26, 2024

ECA Club Ledgers

Finding: During the audit procedures over the High School, it was noted that there were 11 out of 60 receipts in which student ledgers did not have the transaction listed properly on the ledger, 10 of these were High School and 1 was Middle School. There was also 1 High School receipt that was recorded in the student ledger at the incorrect amount. For cash disbursements, 6 out of 60 disbursements were also not properly listed in the student ledger, 4 of which were High School and the remaining 2 Middle School.

Auditor Recommendation: The Auditors recommend that Faculty Advisors and Student Activity Treasurers understand the requirement to prepare and keep ledgers separate from the Central Treasurer to ensure accuracy and minimize errors that could occur, and also to have a better record of their activities.

Plan of Action: The Treasurer / Business Administrator, Steven Terry, will request that the ECA Central Treasurers remind Faculty Advisors of the requirement to prepare and keep ledgers separate from the Central Treasurer. Our process also includes having the ECA Auditor, Kimberly Wise, request that the ledgers, kept by the Student Activity Treasurers and Faculty Advisors, of all clubs be provided periodically throughout the year. The ECA Auditor verifies that each club has a student ledger and compares the balance of the club ledger with the balance shown on the Central Treasurer's report. In the event that the club ledger does not agree with the balance of the Central Treasurer, the ECA Auditor should determine the cause of the discrepancy and notify both the Faculty Advisor and Central Treasurer, as well as the District Treasurer / Business Administrator and Chief Business and Financial Office, John P. McPhillips, Jr.

Anticipated Completion Date: January 26, 2024

ECA Inactive Clubs

Finding: It was noted that 7 clubs in the High School and 3 clubs in the Middle School did not have any financial activity in the past 3 years.

Auditor Recommendation: The Auditors recommend that to comply with NYSED guidance, the Fund enforce its policy in which funds from inactive clubs are transferred to other club accounts. In doing so, the Fund can help reduce the risk that these funds might be misappropriated.

Plan of Action: The Treasurer / Business Administrator, Steven Terry, will notify the ECA Central Treasurers of the requirement that funds from inactive clubs should be transferred to the student council account prior to the end of the school year.

Anticipated Completion Date: January 26, 2024