

Extra Classroom Activity Funds
Communication With Those Charged With Governance

To the Board of Education
Arlington Central School District

We have audited the financial statements of the Extraclassroom Activity Fund of Arlington Central School District for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 29, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Extraclassroom Activity Fund of Arlington Central School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by the Extraclassroom Activity Fund of Arlington Central School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no misstatements noted during the audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 24, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Extraclassroom Activity Fund of Arlington Central School District’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Extraclassroom Activity Fund of Arlington Central School District’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We were engaged to report on the Supplemental Schedule of Cash Receipts and Cash Disbursements – Cash Basis, which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of Education, management of Arlington Central School District, the New York State Education Department, and the New York State Comptroller’s Office and is not intended to be, and should not be, used by anyone other than these specified parties.

D'Arcangelo + Co., LLP

September 24, 2014

Rome, New York

Extraclassroom Activity Funds
Required Communication

To the Board of Directors
Arlington Central School District

In planning and performing our audit of the financial statements of the Extraclassroom Activity Fund of Arlington Central School District as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered Arlington Central School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Extraclassroom Activity Fund of Arlington Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Extraclassroom Activity Fund of Arlington Central School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in the Funds' internal control to be material weakness.

The material weakness is identified and described in the attached Schedule of Audit Findings and Recommendations.

This communication is intended solely for the information and use of management, the Board of Education, the New York State Education Department, and the New York State Comptroller's Office, and is not intended to be, and should not be, used by anyone other than these specified parties.

D'Arcangelo + Co., LLP

September 24, 2014

Rome, New York

**ARLINGTON CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
SCHEDULE OF AUDIT FINDINGS AND RECOMMENDATIONS
For the Year Ended June 30, 2014**

1. Material Weakness

See Status of Prior Year Findings and Recommendations.

2. Other Matters

A. Extraclassroom Activity Fund

- The School District's Extraclassroom Activity Fund bank balances were in excess of the federally insured limit in a financial institution. This presents a potential for losses to the School District's Extraclassroom Activity Fund in the event of bank or institutional failure. We have discussed this situation with management and have recommended to transfer excess balances to additional accounts or open accounts in other banks, where possible, to reduce the potential for loss of monetary amounts in excess of the federally insured level.

**ARLINGTON CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
STATUS OF PRIOR YEAR AUDIT FINDINGS AND RECOMMENDATIONS
For the Year Ended June 30, 2014**

1. Material Weakness

A. Extraclassroom Cash Receipts

As in prior years, insufficient accounting controls exist over cash collections prior to the initial entry in the accounting records by the Central Treasurer. Internal accounting control and control over undeposited cash collections could be strengthened if receipts for cash collections were issued upon the point of sale and a pre-audit of receipts was available for each major event.

Accordingly, a material weakness exists due to inherent lack of control at the point of collection of the various fund raising activities.

Status: Noted again in the current year.

B. Other Cash Receipt Items

During the prior year audit, it was noted that certain cash receipts were not always supported by adequate documentation. The students and advisors should provide a reconciliation of actual and expected receipts from fundraisers.

The following are suggestions for improving documentation:

- For events, pre-numbered tickets should be used and then reconciled to total sales.
For the sale of items, an inventory should be kept of the items for sale and reconciled to receipts.
- For the sale of items where money is collected before the items are delivered, a list of all money collected and from whom, should be submitted with the receipt. That will make it clearer how much money was paid in the event of a refund.
- The advisor and student should each sign the receipt verifying that the correct amount of money was submitted to the Treasurer.

Status: Except as noted below, the above items were not noted in the current year. We have the following recommendation relevant to the Extraclassroom Activity Fund in the current year:

- Profit and loss statements are not always prepared for fundraisers. Periodic profit and loss statements not only constitute good accounting procedures but also afford excellent instructional opportunities.

ARLINGTON CENTRAL
SCHOOL DISTRICT

EXTRACLASSROOM
ACTIVITY FUND

FINANCIAL STATEMENTS

For the Year Ended
June 30, 2014

**ARLINGTON CENTRAL SCHOOL DISTRICT
TABLE OF CONTENTS**

	<u>Page</u>
EXTRACLASROOM ACTIVITY FUND	
Independent Auditor's Report	1-2
Statement of Assets, Liabilities, and Fund Equity – Cash Basis	3
Statement of Revenues, Expenditures, and Changes in Fund Equity – Cash Basis	4
Notes to Financial Statements	5
Supplemental Schedule of Cash Receipts and Disbursements – Cash Basis	6-7

D'Arcangelo & Co., LLP
Certified Public Accountants & Consultants

200 E. Garden St., P.O. Box 4300, Rome, N.Y. 13442-4300
315-336-9220 Fax: 315-336-0836

Independent Auditor's Report

To the Board of Education of
Arlington Central School District

Report on the Financial Statements

We have audited the accompanying financial statements of the Extraclassroom Activity Fund of Arlington Central School District, which comprise the statement of assets, liabilities, and fund equity - cash basis as of June 30, 2014, and the related statement of revenues, expenditures, and changes in fund equity - cash basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements 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 statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

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

Due to the fact that accounting controls generally are not exercised by students over cash receipts at the point of collection to the time of submission to the central treasurer, it was impracticable to extend our audit of such receipts beyond the amounts recorded.

Qualified Opinion

In our opinion, except for the effects of any adjustments which might have resulted had the cash collections referred to above been susceptible to satisfactory audit tests, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund equity of the Extraclassroom Activity Fund of Arlington Central School District at June 30, 2014, and its revenues, expenditures, and changes in fund equity for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule on pages 6 and 7 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects of any adjustments that might have been determined to be necessary had we been able to perform adequate auditing procedures in regard to the receipts referred to in the third preceding paragraph, the information is fairly stated in all material respects in relation to the financial statements as a whole.

D'Arcangelo + Co., LLP

September 24, 2014

Rome, New York

**ARLINGTON CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
STATEMENT OF ASSETS, LIABILITIES, AND FUND EQUITY - CASH BASIS
June 30, 2014**

Assets

Cash

\$ 298,739

Total Assets

\$ 298,739

Fund Equity

Fund Equity

Assigned

\$ 298,739

Total Fund Equity

\$ 298,739

The Accompanying Notes are an Integral Part of These Financial Statements.

**ARLINGTON CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY - CASH BASIS
For the Year Ended June 30, 2014**

Revenues	
Charges for Services, Sale of Property, and Miscellaneous	\$ <u>829,398</u>
Total Revenues	<u>829,398</u>
Expenditures	
Instruction - Club Activities	<u>772,923</u>
Total Expenditures	<u>772,923</u>
Excess Revenues over Expenditures	56,475
Fund Equity, Beginning of Year	239,187
Prior Period Adjustment	<u>3,076</u>
Fund Equity, Beginning of Year, Restated	<u>242,264</u>
Fund Equity, End of Year	\$ <u><u>298,739</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements.

**ARLINGTON CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

The transactions of the Extraclassroom Activity Fund are not considered part of the reporting entity of the Arlington Central School District. The related year-end cash balances are shown as part of the Arlington Central School District's Fiduciary Fund with the offset being shown as a liability.

The Board of Education makes rules and regulations for the conduct, operation, and maintenance of the Extraclassroom Activity Fund and for the safeguarding, accounting, and auditing of all monies received and derived therefrom.

Basis of Accounting

The books and records of the School District's Extraclassroom Activity Fund are maintained on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, revenues are recognized when cash is received, and expenditures are recognized when cash is disbursed.

Fund Equity Assigned

Fund equity includes amounts that are constrained by the Extraclassroom Activity Funds of Arlington Central School District's intent to be used for specific purposes of the respective activity, but are neither restricted nor committed.

Cash and Cash Equivalents

The Fund's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the School District's investment policies. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and Districts.

2. CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that in the event of a bank failure, the Fund's deposits may not be returned to it. As of June 30, 2014, the School District's Extraclassroom total bank balances of \$388,544 were covered by FDIC insurance of \$250,000 and \$138,544 was uninsured and uncollateralized.

3. PRIOR PERIOD ADJUSTMENT

The beginning fund equity of the Extraclassroom Activity Fund has been restated for a prior period adjustment of \$3,076 to correct the cash beginning balance.

ARLINGTON CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
SUPPLEMENTAL SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS - CASH BASIS
For the Year Ended June 30, 2014

Activities	(Restated) Balance at 07/01/13	Cash Receipts	Cash Disbursements	Balance at 06/30/14
<u>Junior-Senior High School</u>				
Admiral Players	\$ 56,710	\$ 90,564	\$ 111,733	\$ 35,541
African Concerns	305	421		726
Amnesty	2,005			2,005
Anchors	7,394	57,031	41,510	22,915
Arlingtonian	3,749			3,749
Athletic Student Organization	62,998	186,117	175,161	73,954
Awareness	1,483	12,764	12,286	1,961
Blue Sky Acting	572			572
Class of 2013	58		58	
Class of 2014	3,048	154,499	143,678	13,869
Class of 2015	269	41,004	37,641	3,632
Class of 2016	622	661		1,283
Class of 2017		8,571	8,356	215
Culinary Arts	307	10,685	10,956	36
Debate	366	240	125	481
Everness	2,647	513	1,349	1,811
Fashion	8	112		120
FBLA	1,141	10,133	11,007	267
French	1,153	423	450	1,126
French Honor Society		1,261	637	624
Friends of Rachel	104	5,077	101	5,080
German	321			321
Glee	385			385
Honor Society	1,475	1,420	2,100	795
Interact	1,324	1,628	1,922	1,030
Italian	321	1,115	1,012	424
Italian Honor Society		2,010	1,512	498
Jazz Band	4,147	7,116	8,099	3,164
Link Crew	875	3,155	638	3,392
Marching Band	992	11,358	11,806	544
Marine Biology	1,405	573	800	1,178
Math Honor Society		825	825	
Mixed Ensembles	5,926	15,847	17,139	4,634
Model UN	505	8,448	7,767	1,186
Nursery	3,830	1,130	958	4,002
Operation Donate	978	1,033	1,597	414
Photo Club		1,180		1,180
SADD	2,153	200	1,737	616
SADD Grant		25,000	2,810	22,190
Safety Patrol	258			258
Sales Tax	1,415	5,695	6,975	135
Shades	163			163
Ski Club	1,814	42,144	40,227	3,731
Spanish	91	1,266	1,155	202
Step Team	500	706	909	297
String Orchestra	2,413		534	1,879
Student Athletic	984	4,974	5,881	77
Student Government	4,689	5,762	5,121	5,330
Together	83	205	198	90
Total Arlington High School	181,986	722,866	676,770	228,082

(Continued)

**ARLINGTON CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
SUPPLEMENTAL SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS - CASH BASIS
For the Year Ended June 30, 2014**

(Continued)				
Activities	(Restated) Balance at 07/01/13	Cash Receipts	Cash Disbursements	Balance at 06/30/14
<u>Arlington Middle School</u>				
FCCLA	73			73
Musical	8,896	7,135	16,031	
Student Council	3,959	1,200	2,951	2,208
Uniting Cultures Club	8			8
Total Arlington Middle School	<u>12,936</u>	<u>8,335</u>	<u>18,982</u>	<u>2,289</u>
<u>LaGrange Middle School</u>				
Community Service Club	153	150	182	121
Drama	10,280	13,121	4,709	18,692
Home & Careers	458	2,048	2,208	298
Honor Society	269	918	918	269
School Store	174	173	243	104
Student Council	4,923	22,489	23,064	4,348
Theatre	6,989		6,989	
Yearbook	1,360	9,746	896	10,210
Total LaGrange Middle School	<u>24,606</u>	<u>48,645</u>	<u>39,209</u>	<u>34,042</u>
<u>Union Vale Middle School</u>				
APK	786	50	4	832
Band	499	1,686	1,603	582
Broadway Trip/ Chorus	1,437	389	429	1,397
Drama Club	2,339	2,945	2,481	2,803
Library	1,836	5,096	5,250	1,682
Orchestra	564	1,166	1,041	689
School Musical	3,358	6,700	3,137	6,921
School Store	1,417	990	590	1,817
Student Council	8,682	21,300	14,427	15,555
Yearbook	1,818	9,230	9,000	2,048
Total LaGrange Middle School	<u>22,736</u>	<u>49,552</u>	<u>37,962</u>	<u>34,326</u>
Total	<u>\$ 242,264</u>	<u>\$ 829,398</u>	<u>\$ 772,923</u>	<u>\$ 298,739</u>