

**North Salem Central School District,
New York**

Extraclassroom Activity Funds

Statement of Cash Receipts, Cash Disbursements
and Cash Balances

Year Ended June 30, 2019

Independent Auditors' Report

**The Board of Education of the
North Salem Central School District, New York**

Report on the Financial Statements

We have audited the accompanying statement of cash receipts, cash disbursements and cash balances of the Extraclassroom Activity Funds of the North Salem Central School District, New York, as of and for the year ended June 30, 2019, and the related note to financial statement.

Management's Responsibility for the Financial Statements

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 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.

Auditors' 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 material 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 auditors' 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 entity'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 entity'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 qualified audit opinion.

Basis for Qualified Opinion

Controls over cash receipts during the time period between when receipts are first received by student club members and when such receipts are given to School District personnel for initial entry in the accounting records are not sufficient to enable us to extend our audit procedures beyond the receipts recorded. Accordingly, we were unable to form an opinion with respect to the completeness of cash receipts.

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, cash disbursements and cash balances of the Extraclassroom Activity Funds of the North Salem Central School District, New York as of June 30, 2019 and for the year then ended, 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. The financial statement was 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 this matter.

Restriction on Use

This report is intended solely for the information and use of the Board of Education, the State Education Department and management and is not intended to be and should not be used by anyone other than these specified parties.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

September 23, 2019

North Salem Central School District, New York

Extraclassroom Activity Funds
Statement of Cash Receipts, Cash Disbursements and Cash Balances
Year Ended June 30, 2019

	Cash Balances Beginning	Receipts	Disburse- ments	Cash Balances Ending
NORTH SALEM MIDDLE/HIGH SCHOOL				
Corner 55	\$ -	\$ 741	\$ 585	\$ 156
Class of 2018	1,451	-	1,451	-
Class of 2019	94	3,880	2,995	979
Class of 2020	1	838	598	241
Class of 2021	181	-	-	181
Class of 2022	130	-	-	130
Class of 2023	43	-	-	43
Class of 2024	-	2,045	2,045	-
Amnesty International	1,964	878	740	2,102
Art Club	812	-	100	712
Drama Club HS	3,260	3,349	1,552	5,057
Drama Club MS	-	238	238	-
Environmental Club	751	-	146	605
SAFE Club	14	760	-	774
Impressions Literacy Magazine	248	-	-	248
International Club	3,870	90	766	3,194
Math Honor Society	230	839	793	276
Middle School Memory Book	2,553	813	9	3,357
Middle School Student Forum	961	2,599	2,885	675
Model United Nations	1,594	9,615	8,413	2,796
Music Club/Chorus	11,390	4,656	4,015	12,031
Golden Stage Society	11,580	13,189	11,309	13,460
National English Honor Society	205	-	-	205
National Honor Society	231	-	-	231
National Art Honor Society	-	1,574	573	1,001
Save a Child's Heart	-	614	-	614
Salemite Yearbook	4,977	4,224	8,726	475
SAAD	83	-	-	83
Student Council	9,995	417	1,228	9,184
Video Club	32	-	-	32
World Language Honor Society	475	859	505	829
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 57,125</u>	<u>\$ 52,218</u>	<u>\$ 49,672</u>	<u>\$ 59,671</u>

The accompanying note is an integral part of the financial statement.

Note 1 - Summary of Significant Accounting Policies

The transactions of the Extraclassroom Activity Funds are considered part of the reporting entity of the North Salem Central School District, New York ("School District"). These funds are reflected in the financial statements of the School District within the Agency Fund.

A. Basis of Accounting

These financial statements were prepared on the basis of cash receipts and cash disbursements in conformity with the accounting principles prescribed by the New York State Department of Education, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, revenues are recognized when cash is received and expenditures are recognized when cash is disbursed.

B. Cash and Equivalents, Investments and Risk Disclosure

Cash and Equivalents - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and short-term investments with original maturities of less than three months from the date of acquisition.

The Extraclassroom Activity Funds deposits and investment policies follow the School District's policies. The School District's deposits and investment policies are governed by State statutes. The School District has adopted its own written investment policy, which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The School District is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The School District has entered into custodial agreements with the various banks that hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

Investments - Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, repurchase agreements and obligations of New York State or its political subdivisions.

The School District follows the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 72, *"Fair Value Measurement and Application"*, which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Note 1 - Summary of Significant Accounting Policies (Continued)

Risk Disclosure

Interest Rate Risk - Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. The School District's formal investment policy does not address limits of investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. Generally, the School District does not invest in any long-term investment obligations.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. GASB Statement No. 40, *"Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3"*, directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the School District's name. The School District's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at June 30, 2019.

Credit Risk - Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The School District does not have a formal credit risk policy other than restrictions to obligations allowable under General Municipal Law of the State of New York.

Concentration of Credit Risk - Concentration of credit risk is the risk attributed to the magnitude of a government's investments in a single issuer. The School District's investment policy limits the amount on deposit at each of its banking institutions.
