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## Ciaschi • Dietershagen • Little • Mickelson & Company, LLP

*Certified Public Accountants and Consultants*

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Frederick J. Ciaschi, C.P.A.

### MANAGEMENT COMMENT LETTER

Board of Education  
Homer Central School District  
Homer, New York

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Homer Central School District (the School District) as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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 School 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 significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. This letter discusses the current year findings and the resolution of a prior year finding, as well as an item for discussion.

#### **Current Year Findings**

##### Cash Disbursements

###### Findings:

During our current year audit, it was noted, of ten disbursements tested, three had purchase orders dated after the invoice date, one had no receiving documentation and two should have received quotes, but did not.

###### Recommendation:

We recommend all disbursements be initiated with a requisition form and purchase order before an order is placed or service requested, in accordance with School District policy. This ensures monies are available in the budget to purchase the items and the purchase is properly approved prior to ordering. Also, all payments on invoices for materials and supplies should include receiving documentation (packing slips) which has, at the very least, been initiated by the individual who received the goods and verified delivery on the receiving documents. Further, all like purchases from the same vendor costing \$1,000 - \$19,999 require quotes and those \$20,000 or more require bids, per GML and School District policy. This is to ensure the School District is paying the best price for the items purchased and using taxpayer monies appropriately.

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**Prior Year Finding - Resolved**

Compliance with Real Property Tax Law

Finding:

During our prior year audit, the School District's General Fund ended the June 30, 2011 fiscal year with an excess of \$43,505 over the 4% allowed by the Real Property Tax Law (Code Section 1318).

Resolution:

During our current year audit, the School District's General Fund balance was below the 4% allowed by the Real Property Tax Law (Code Section 1318).

**DISCUSSION ITEMS**

Long-term Budget, Fund Balance and Reserve Planning

We recommend continued formal long-term (3 to 5 years) budgetary planning in conjunction with the annual budgetary process.

We understand the School District is currently analyzing various General Fund reserve accounts in accordance with long-term planning initiatives of the School District. The School District has been proactive in establishing and funding reserve accounts for Capital Projects, Workers Compensation Insurance, Debt Service, Employee Benefit Accrued Liability, Unemployment, Retirement Contribution and Tax Certiorari, which will stabilize future operational expenses as financial circumstances arise for which each reserve was created.

We recommend current fund balance reserve accounts be reviewed to determine appropriate levels from both a short-term and long-term planning perspective regarding appropriation of funds to support the General Fund budget or other specified purposes.

We would like to take this opportunity to express our appreciation to the Homer Central School District's management and staff for their time and cooperation in aiding us in our audit work. It has been a pleasure to provide auditing and related services to you. We look forward to assisting you with other matters in the future.

This communication is intended solely for the information and use of management, the Audit Committee and Board of Education, and others within the School District, and is not intended to be and should not be used by anyone other than these specified parties.



September 18, 2012  
Ithaca, New York