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Certified Public Accountants and Consultants

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EXTRACLASSROOM ACTIVITY FUNDS
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 Extraclassroom Activity Funds of the Homer Central School District (the School District) for the year ended June 30, 2015, 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 audit 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.

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. However, material weaknesses may exist that have not been identified.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

During 2015, the State Education Department released an updated version of the official guidance for definition, conduct, and administration of the Extraclassroom Activity Funds. This official release, "**The Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds**," provides detailed guidance for documentation of financial transactions, sales tax compliance, and accounting for club activities.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the School District's internal control to be significant deficiency:

CORTLAND

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ITHACA

401 East State Street ~ Suite 500
Ithaca, New York 14850
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www.cdlim.com

WATKINS GLEN

2 North Franklin Street, Suite 330
Watkins Glen, New York 14891
607-535-4443
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SIGNIFICANT DEFICIENCY

High School Cash Receipts

Findings:

Of 20 High School receipts tested, 4 were missing adequate supporting documentation, 3 were not submitted in a timely manner to the Central Treasurer, and 5 were missing a Profit and Loss Statement for the applicable fundraiser. During our prior year audit, of 20 High School receipts tested, 15 were missing adequate supporting documentation, 1 was not submitted in a timely manner to the Central Treasurer, we were unable to determine if 12 were submitted in a timely manner to the Central Treasurer, and 5 were missing a Profit and Loss Statement for the applicable fundraiser.

Recommendation:

We recommend all receipts be fully completed, properly authorized by the activity's Student Treasurer, Faculty Club Advisor and the Central Treasurer, and accompanied by adequate supporting documentation. This documentation should include the source of funds, total funds received, number of items sold, price per item, and if applicable, number of items remaining. It should also indicate whether the activity falls within the New York State Sales Tax Law, and if so, the amount of sales tax collected. For activities where tickets would further support sales, pre-numbered tickets should be utilized to determine the number of tickets sold and money received. All cash receipts should be submitted to the Central Treasurer within three to five business days after receipt by the Faculty Club Advisor or Student Treasurer.

During our current year audit, we became aware of other matters with respect to internal control and for discussion of a future matter. This letter summarizes these comments and recommendations regarding these matters. This letter does not affect our report dated September 29, 2015 on the financial statements of the Extraclassroom Activity Funds of the Homer Central School District.

OTHER MATTERS

Current Year Findings

Junior High Lack of Authorized Signatures

Findings:

2 of 5 disbursements and 1 of 5 receipts examined were missing a Student Treasurer signature.

Recommendation:

All disbursements and receipts should be approved by the Student Treasurer. In the absence of the Student Treasurer, another club officer may approve disbursement of funds.

Negative Cash Balance

Findings:

Audit procedures indicated that the chorus and band activities resulted in a cash balance of negative \$(241).

Recommendation:

Receipts and disbursements should be more carefully tracked to insure that expenditures do not exceed available balance in the cash account.

Current and Prior Year Findings

Student Ledgers

Finding:

3 of 4 Intermediate and 6 of 7 Jr. High ledgers were unavailable for examination. In our prior year audit, 1 of 4 Intermediate and 6 of 7 Jr. High ledgers were unavailable for examination.

Recommendation:

We recommend all activities maintain student ledgers and reconcile balances to the Central Treasurer's records at least quarterly. "The Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds," stipulates student ledgers be maintained for all student activities. This is an essential part of the learning experience for students.

High School Lack of Authorized Signatures

Finding:

2 of 20 receipts examined were missing a Student Treasurer signature. In our prior year audit, 4 of 20 receipts examined were missing a Student Treasurer signature.

Recommendation:

All receipts should be approved by the Student Treasurer. In the absence of the Student Treasurer, another club officer may approve the receipt of funds.

High School Cash Disbursements

Finding:

1 of 10 disbursements examined did not pay required sales tax. In our prior year audit, 2 of 10 disbursements examined did not pay required sales tax.

Recommendation:

We recommend sales tax be paid on all applicable purchases. Items purchased for resale are not subject to sales tax.

Inactive Clubs

Finding:

The following clubs were financially inactive during the year: Jr. High and Intermediate Yearbooks, Jr. High Drama Club, Olympian Club, and Intermediate Bookstore. In our prior year audit, the Jr. High and Intermediate Bookstores, Jr. High Drama Club, Olympian Club, Video Club, and Intermediate Yearbook had no activity.

Recommendation:

We recommend club accounts no longer in operation be closed and funds distributed prior to the close of the subsequent fiscal year, in accordance with School District policy.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with School District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the use of the Audit Committee, the Board of Education, management, the New York State Department 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 29, 2015
Ithaca, New York