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MANAGEMENT COMMENT LETTER

Board of Education
Chenango Valley
Central School District
Binghamton, 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 the Chenango Valley Central School District (the School District) for the year ended June 30, 2013, 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. However, material weaknesses may exist that have not been identified.

However, during our current year audit, we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes these comments and recommendations regarding these matters. This letter does not affect our report dated October 3, 2013 on the financial statements of the Chenango Valley Central School District.

CURRENT YEAR FINDINGS

Collection of Property Taxes

Finding:

After approval of rates for the 2012-2013 fiscal year, it was determined an incorrect tax rate had been used. This error resulted in an overcollection of property taxes of \$293,251. The School District discovered the error and properly segregated the overcollected amount to a separate bank account. This overcollection, along with interest earned, will be used to offset property taxes in the 2013-2014 fiscal year.

Recommendation:

We recommend that the District take care to ensure property tax rates are properly calculated in future years.

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DISCUSSION ITEM

Reserve for Tax Reduction

During the year ended June 30, 2009, the School District sold property, and properly placed the proceeds of the sale in a reserve for tax reduction. This reserve was established for the gradual use of the proceeds of such sales. Under New York State Education Law, the School District is required to use the balance of the reserve within a ten year period. At June 30, 2013, the balance in this reserve was \$507,357. The District should consider the proper timing for the use of the reserve for tax reduction by the 2018-2019 fiscal year.

Impact of Future Standards of the Governmental Accounting Standards Board (GASB)

The Chenango Valley Central School District is in the process of assessing the future effects of the following GASB Statement: GASB Statement Number 65, "Items Previously Reported as Assets and Liabilities," to be implemented in fiscal year June 30, 2014.

This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

This letter does not affect our report dated October 3, 2013 on the basic financial statements of the Chenango Valley Central School District.

We would like to take this opportunity to express our appreciation to the School District's management and staff for their time and cooperation in aiding us in our audit work. Their assistance resulted in an expedient and efficient audit process.

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



October 3, 2013
Ithaca, New York