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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, 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 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.

During our current year audit, we became aware of an opportunity for increasing operating efficiency 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 Homer Central School District.

Current Year Finding

Tax Levy

Finding:

The tax levy recorded on the books of the School District does not agree to the adjusted tax levy per the assessor's report.

Resolution:

Management and the School District investigated the discrepancy, identified the errors and reconciled the records. They are now in agreement with the assessor's report.

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Recommendation:

We recommend greater care be taken in the reconciliation of tax items and reconciliations be completed on a consistent and timely basis.

Health and Dental Insurance

Finding:

Analytical procedures revealed a significant discrepancy between health and dental insurance expense and the related balance in the Trust and Agency Fund.

Resolution:

Management performed a comprehensive analysis of the related accounts and determined inconsistencies in the reporting of health and dental insurance attributes. Management reconciled and adjusted the accounts accordingly and established new guidelines for future reporting.

Recommendation:

We recommend management and School District personnel remain diligent in the reporting of health and dental insurance expenses. Additionally, we recommend management and School District personnel adhere to the newly established guidelines for reporting, and reconcile all related accounts in a timely manner.

Cash Disbursements

Finding:

2 of 15 disbursements examined during our current year audit had invoices that pre-dated the Purchase Order.

Recommendation:

We recommend Purchase Orders be created before purchases are made.

Current and Prior Year Findings

Capital Project Under-Expenditure

Finding:

During our prior year audit, we noted unspent debt proceeds of \$18,970 related to prior year bus expenditures.

Current Status:

During our current audit, the balance of unspent bus debt proceeds remained at \$18,970.

Recommendation:

We continue to recommend unspent bus financing proceeds be reviewed and transferred to the Debt Service Fund to close out bus purchase authorizations.

PRIOR YEAR FINDING RESOLVED

Cash Receipts

Finding:

During our prior year audit, 1 of 10 receipts examined should have been recorded as a receivable and was posted to the incorrect account.

Current Status:

All receipts examined were properly recorded and posted to the correct accounts.

Recommendation:

We recommend management continue to monitor the receipts process and ensure proper recording and coding of receipts.

DISCUSSION ITEMS

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

The School District is in the process of assessing the future effects of each of the following:

- GASB Statement No. 72, "Fair Value Measurement and Application," effective for the year ending June 30, 2016;
- GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions," effective for the year ending June 30, 2018. This Statement replaces the requirements of Statements No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," as amended, and No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans," for OPEB. Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans," establishes new accounting and financial reporting requirements for OPEB plans;
- GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," effective for the year ending June 30, 2016.

The School District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

Long-term Budget, Fund Balance and Reserve Planning

Recommendation:

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.

Additionally, 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 29, 2015
Ithaca, New York