

## **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 as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered Homer Central School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Homer Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Homer Central 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 a 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.

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. Given these limitations during our audit, 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 opportunities for increasing operating efficiency and for discussion of future matters. This letter summarizes these comments and recommendations regarding these matters. This letter does not affect our report dated September 27, 2016 on the financial statements of Homer Central School District.

### **Current Year Finding**

#### Cash Disbursements

##### Finding:

During our current year audit, 7 of 15 cash disbursements examined did not have a purchase order.

##### Recommendation:

We recommend management monitor the disbursement process and ensure adequate supporting documentation is attached to each cash disbursement.

## **Current and Prior Year Finding**

### Cash Disbursements

#### Finding:

1 of 15 disbursements examined during our current year audit had invoices that pre-dated the purchase order. During our prior year audit, 2 of 15 disbursements examined had invoices that pre-dated the purchase order.

#### Recommendation:

To ensure proper authorization and budgetary control, we recommend purchase orders be created prior to purchases being made.

## **PRIOR YEAR FINDINGS RESOLVED**

### Capital Project Under-Expenditure

#### Finding:

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

#### Resolution:

During our current audit, there was no longer a balance of unspent bus debt proceeds since it had been transferred to the Debt Service Fund.

### 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.

### Tax Levy

#### Finding:

The tax levy recorded on the books of the School District did not agree to the adjusted tax levy per the tax assessment report, in the prior year.

#### Resolution:

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

## **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 has issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68," effective for the year ending June 30, 2017.

GASB has issued 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 has issued Statement No. 77, "Tax Abatement Disclosures," effective for the year ending June 30, 2017.

GASB has issued Statement No. 78, "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans," effective for the year ending June 30, 2017.

GASB has issued Statement No. 80, "Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14," effective for the year ending June 30, 2017.

GASB has issued Statement No. 81, "Irrevocable Split-Interest Agreements," effective for the year ending June 30, 2017.

GASB has issued Statement No. 82, "Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73," effective for the year ending June 30, 2017, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017

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.

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.

Respectfully Submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP  
Certified Public Accountants

Ithaca, New York  
September 27, 2016