

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, 2017, 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 28, 2017 on the financial statements of Homer Central School District.

PRIOR YEAR FINDINGS RESOLVED

Cash Disbursements

Finding:

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

Resolution:

During our current year audit, we did not identify any cash disbursements lacking a purchase order.

Cash Disbursements

Finding:

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

Resolution:

During our current year audit, we did not identify any disbursements that had invoices that pre-dated the purchase order.

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. 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.”
- GASB has issued Statement No. 83, “Certain Asset Retirement Obligations,” effective for the year ending June 30, 2019.
- GASB has issued Statement No. 84, “Fiduciary Activities,” effective for the year ending June 30, 2020. This statement improves guidance regarding identification of fiduciary activities for accounting and reporting purposes.
- GASB has issued Statement No. 85, “Omnibus 2017,” effective for the year ending June 30, 2018.
- GASB has issued Statement No. 86, “Certain Debt Extinguishment Issues,” effective for the year ending June 30, 2018.
- GASB has issued Statement No. 87, “Leases,” effective for the year ending June 30, 2021.

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,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 28, 2017