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September 21, 2016

To the President and Members
of the Board of Education of the
Liberty Central School District
115 Buckley St.
Liberty, New York 12754

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Central School District for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 16, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Liberty Central School District are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the Liberty Central School District changed accounting policies related to GASB Statement 72, Fair Value Measurement and Application, GASB Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, and GASB Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. We noted no transactions entered into by Liberty Central School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the Liberty Central School District's financial statements were:

Management's estimates of Other Postemployment Benefits based on actuarial assumptions and depreciation of fixed assets based on estimated useful lives. We evaluated the key factors and assumptions used to develop those estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected some of such misstatements. In addition, none of the misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 21, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Liberty Central School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

General Fund

During our audit, we noted the Interfund Transfers between funds had not been posted consistently in all affected funds. As a result, the Interfund Transfers were not in balance as of June 30, 2016. An audit adjustment was proposed, approved and posted to correct the matter.

We recommend that all entries between Interfund expense and revenue be posted across all affected funds at the time of occurrence. We additionally recommend that Interfund expense and revenue be reviewed as part of the month-end closing process to ensure that they are posted properly and are in balance.

Capital Fund

As a result of our procedures, we noted that the open encumbrances in the Capital Fund were not posted to the general ledger. Proper posting of all general ledger accounts is necessary to ensure accurate financial reporting.

We recommend that all open Capital Fund encumbrances be posted to the general ledger and be reviewed periodically for reasonableness and accuracy.

Other

We found that user access to the various functionalities in the Wincap accounting software was overly broad. It was specifically noted that some employees had access to all functionalities which is in direct conflict with the segregation necessary for proper internal controls. Furthermore, some employees had access to functionalities outside the scope of their normal assigned responsibilities. This is a repeat finding from previous years' audits.

We understand that the District wants the ability to cross-train business staff and the CBO desires that all staff have the ability to service all CBO-participating Districts. However, it is very important to establish additional safeguards and oversight procedures. It is our recommendation that the District address with the CBO limiting access to various functionalities.

Extraclassroom Activity Fund

We found that the Art, National Junior Honor Society, Library, Students Against Drunk Driving, and Technology clubs had no or limited financial activity during the current year.

We recommend that the Board review the status of these Clubs and transfer the remaining funds to the student government if there will be no further activity.

Other Matters

We applied certain limited procedures to the Schedule of Funding Progress – Other Post-Employment Benefits schedule, the Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget to Actual – General Fund, the Schedule of the District’s Proportionate Share of the Net Pension Asset/Liability, and the Schedule of District Contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express and opinion or provide any assurance on the RSI.

We were not engaged to report on the Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund, the Schedule of Capital Projects Fund – Project Expenditures and Financing Sources, the Net Investment in Capital Assets, the Statement of Indebtedness, and the Schedule of Expenditures of Federal Awards, which accompany the financial statements but are not RSI. With respect to the supplementary information, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with prescribed New York State Education Department guidelines and the Uniform Guidance requirements, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of Education and management of Liberty Central School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



NUGENT & HAEUSSLER, P.C.