



Nugent & Haeussler, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ESTABLISHED 1925

101 Bracken Road
Montgomery, New York 12549
Tel (845) 457-1100
Fax (845) 457-1160
e-mail: nh@nhcpas.com

Peter J. Bullis, CPA, FACFEI, DABFA
Norman M. Sassi, CPA
Christopher E. Melley, CPA
Gary C. Theodore, CPA
Julia R. Fraino, CPA
William T. Trainor, CPA
Mark M. Levy, CPA, CFP
Thomas R. Busse, Jr., CPA
Brent T. Napoleon, CPA
Jennifer L. Capicchioni, CPA
Patrick M. Bullis, CPA
Justin B. Wood, CPA

Richard P. Capicchioni, CPA
Walter J. Jung, CPA
Jennifer A. Traverse, CPA

October 1, 2019

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 fiduciary fund of Liberty Central School District for the year ended June 30, 2019. 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 28, 2019. 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. New accounting policies associated with GASB Statement 83, *Certain Asset Retirement Obligations* and GASB Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowings or Direct Replacements*, were adopted and the application of existing policies was not changed during the year June 30, 2019. 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 estimate of Other Postemployment Benefits based on actuarial assumptions and relevant census data provided to an independent actuarial firm hired by the District. We evaluated the key factors, assumptions and the census data used to develop the estimate in determining that they are reasonable in relation to the financial statements taken as a whole.

Depreciation of fixed assets is based on estimated useful lives of the assets. We evaluated the key factors and assumptions used to develop the depreciation of fixed assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the annual pension costs and its proportionate share of related net pension assets, deferred outflows, net pension liabilities and deferred inflows which are based on information provided by New York State Employees' Retirement System (ERS) and the New York State Teachers' Retirement System (TRS) and other relevant data provided to independent actuarial firms hired by the retirement systems. We evaluated the key factors and assumptions used by the retirement systems to develop the annual pension costs and the District's proportionate share of related net pension assets, deferred outflows, net pension liabilities and deferred inflows 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. Please refer to the attached journal entries.

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 October 1, 2019.

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.

Additional Comments

Special Aid

A. As a result of our procedures, we found that the Special Aid Fund ended the year with a deficit fund balance of \$51,370.

This deficit is the result of the costs of the Summer Handicapped program exceeding reimbursements in prior years. The Board of Education authorized an interfund transfer to address the deficit during the fiscal year, however, the transfer did not take place. We recommend that the District process the approved transfer of \$55,991 and continue their monitoring to prevent future deficits. It was noted that the current year had a small operating surplus.

B. We noted during the audit a small number of issues surrounding the STAC (System to Track and Account for Children) in the summer handicapped program. We found two instances where a child attended a summer program but was not found on the approved payment report (APR) indicating that the District had not been reimbursed and another instance where a child was found on a District tracking sheet to have attended a summer program, but the child was never STAC’d. Subsequently, confirmation that this child did not attend a summer program was obtained.

We recommend that the District designate one individual who is charged with the reconciliation of the summer handicapped program. The reconciliation will ensure that all children placed in special education programs have been properly STAC’d and the District is receiving the correct reimbursement.

Capital

As a result of our procedures, we found that the Capital Fund ended the year with a deficit fund balance of \$261,456.

This deficit was the result of current year expenditures related to the voter approved High School Renovation and Reconstruction Project. This deficit will be eliminated when permanent financing is obtained.

Other

A. It was noted during our audit that substantially all of the District's Information Technology (IT) services have been outsourced to a third party vendor. While it was noted that vendor has been providing weekly reports and status updates, it is challenging to verify invoices to time reports. Whenever an integral function of the District is outsourced, there is a need for close management oversight and monitoring.

We recommend that District establish procedures with the vendor's assistance which will more easily correlate invoices to submitted time and weekly reports. In addition, we recommend that the District request additional reporting beyond the current week to coordinate future plans with the administration's preferred needs for the District.

B. As a result of our procedures, we noted that some funds had "due to other funds" balances at the end of the fiscal year. While we understand that it may be necessary for some funds to make temporary loans to other funds, it should be noted that General Municipal Law, Article 2, Section 9-a states that all interfund advances need to be repaid as soon as funds are available, but in no event later than the close of the fiscal year in which the advance was made.

We recommend that management repay those temporary loans as soon as possible. Furthermore, we recommend that management closely monitor future temporary loans to other funds and take steps necessary to repay such loans prior to the end of the fiscal year.

C. In prior years, we have noted progress in regards to the reduction of access rights granted to CBO teams and/or a reduction in the number of individuals with access to certain functionality in order to facilitate proper segregation of duties and improve internal control. While positive steps have been made, it did not appear that any additional changes were made in the current year to further the segregation or limitation of incompatible user access and that some individuals remained with broad user access. Moreover, an instance was noted whereby a Liberty Central School District employee was enrolled in a retirement system under another school district's census. This was the result of a shared employee mistakenly logging into the wrong District and enrolling the employee incorrectly.

We recommend that the District continue to work with the CBO to make the necessary changes to the Wincap user access report in order to establish the proper oversight and safeguards necessary to facilitate strong internal control procedures.

D. During our procedures, we noted that there is not a consistent process being followed at District buildings regarding the signing in and out of District personnel. A current and accurate listing of all individuals in any District building is critical to the safety and well-being of those in the building.

We recommend that procedures be implemented to require all employees to sign-in and out to their respective building locations on a regular basis.

Extraclassroom Activity Fund

A. We found that the Junior National Honor Society, Photography Club and Students Against Drunk Driving 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.

B. During our procedures we found that the DJ Club advisor approved his own reimbursement for the purchase of iTunes music on their personal cellphone.

We recommend that additional approval be obtained by either the Extra Classroom Treasurer or the Building Principal in all instances where reimbursement to the club advisor is necessary. A good system of internal control identifies that those requesting payment or reimbursement should be separate from those approving the disbursement. Additionally, we recommend that purchases such as iTunes be made and stored on a club or District device rather than an advisor or club members' personal device.

C. As a result of our audit, we noted that various items ordered by the Liberty Performing Arts Club were not shipped to one of the Liberty Central School District building locations.

We recommend that all items ordered by any school club be shipped directly to a building office in order to ensure delivery to an appropriate location.

D. We found that the clubs are not maintaining lists of club officers and meeting minutes.

We recommend that a listing of club officers be maintained along with their signatures for verification purposes as it relates to approvals and disbursements. Additionally, meeting minutes should be maintained by each club to document the various discussions and actions taken during club meetings as well as to establish that the clubs are meeting regularly.

Other Matters

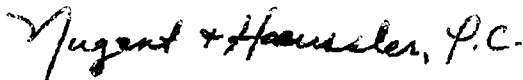
We applied certain limited procedures to the Management Discussion and Analysis, Schedule of Changes in the District's Total OPEB Liability and Related Ratios, the Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget to Actual – General Fund, the Schedule of the District's Proportionate 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 inquiries, 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 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 and the Statement of Indebtedness, 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, 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.

Client: **LIBE5993 - Liberty Central School District**
 Engagement: **Liberty Central School District**
 Period Ending: **6/30/2019**
 Trial Balance: **3000A.00 - Fund A TB**
 Workpaper: **3700A.00 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
To reduce level of retirement contribution reserve by \$300,000 as well as level of tax cert reserve for appropriation. See Nov 13, 2018 Board Resolution				
A827	Retirement Contrib Reserve		300,000.00	
A864	Reserve for Tax Certiorari		61,696.00	
A917	Unassigned Fund Balance			61,696.00
A917	Unassigned Fund Balance			300,000.00
Total			361,696.00	361,696.00

Adjusting Journal Entries JE # 2				
To close open encumbrances to fund balance at year-end.				
A917	Unassigned Fund Balance		494,429.00	
A521.00	Encumbrances			494,429.00
Total			494,429.00	494,429.00

Client: **LIBE5993 - Liberty Central School District**
 Engagement: **Liberty Central School District**
 Period Ending: **6/30/2019**
 Trial Balance: **3000C.00 - Fund C TB**
 Workpaper: **3700C.00 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
To adjust Due to Other Governments at 06/30/19				
C980.1445	Other Cafeteria Sales		20.00	
C631	Due To Other Governments			20.00
Total			20.00	20.00
Adjusting Journal Entries JE # 2				
To adjust Government Food expense and revenue at 06/30/19				
C980.1445	Other Cafeteria Sales		7,035.00	
C980.4190	Government Commodities		3,000.00	
C522.2860-411-00	GOVERNMENT FOOD			10,035.00
Total			10,035.00	10,035.00
Adjusting Journal Entries JE # 3				
To close encumbrances to fund balance				
C917	UnAssigned Fund Balance		3,675.00	
C521	Encumbrances			3,675.00
Total			3,675.00	3,675.00

Client: **LIBE5993 - Liberty Central School District**
 Engagement: **Liberty Central School District**
 Period Ending: **6/30/2019**
 Trial Balance: **3000F.00 - Fund F TB**
 Workpaper: **3700F.00 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
To close encumbrances to fund balance				
F917.00	Unassigned Fund Balance		70,232.00	
F521	Encumbrances			70,232.00
Total			<u><u>70,232.00</u></u>	<u><u>70,232.00</u></u>

Client: **LIBE5993 - Liberty Central School District**
 Engagement: **Liberty Central School District**
 Period Ending: **6/30/2019**
 Trial Balance: **3000H.00 - Fund H TB**
 Workpaper: **3700H.00 - Adjusting Journal Entries Report**

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1			
To adjust year end encumbrances to actual based on audit procedures.			
H821	Reserve for Encumbrances	9,301.00	
H521	Encumbrances		9,301.00
Total		<u>9,301.00</u>	<u>9,301.00</u>
Adjusting Journal Entries JE # 2			
To close open purchase orders to fund balance at year-end.			
H915	Assigned UnAppr Fund Balance	188,397.00	
H521	Encumbrances		188,397.00
Total		<u>188,397.00</u>	<u>188,397.00</u>