

**ADDISON TOWN SCHOOL DISTRICT**

**ADDITIONAL REQUIRED REPORT**

**JUNE 30, 2012**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of School Directors  
Addison Town School District  
Addison, Vermont

We have audited the financial statements of Addison Town School District as of and for the year ended June 30, 2012, and have issued our report thereon dated June 17, 2013. The auditor's report expresses an adverse opinion on the financial statements of Addison Town School District. Addison Town School District has not adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Accounting principles generally accepted in the United States of America require the adoption of GASB statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of Addison Town School District, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Addison Town School District's internal control over financial reporting 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 Addison Town School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Addison Town School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Addison Town School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to the management of Addison Town School District in a separate letter dated June 17, 2013.

Addison Town School District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Addison Town School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of School Directors, management, others within the entity, and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

*AM. Peisch & Company, LLP*

St. Albans, Vermont  
June 17, 2013  
VT Reg. No. 92-0000102

**Addison Town School District  
Schedule of Findings and Responses  
June 30, 2012**

**A-1 Capital Assets Records**

*Condition:* Addison Town School District does not maintain a record of its capital assets records.

*Criteria:* U.S. generally accepted accounting principles require that governmental fund capital assets be recorded in a general capital assets account group (prior to the adoption of GASB Statement No. 34) or in the governmental activities (after adoption of GASB Statement No. 34) and proprietary fund capital assets be recorded in the proprietary fund.

*Effect:* The School District is not in compliance with U.S. generally accepted accounting principles.

*Recommendation:* Addison Town School District should develop a detailed listing of its capital assets to meet the reporting requirements under U.S. generally accepted accounting principles. Capital assets should be identified and inventoried. Amounts should be recorded at historical cost whenever possible. Extrapolated amounts may be used when exact historical acquisition and installation costs can not be obtained. In addition to reporting purposes, the list of capital assets may be useful in determining insurance needs, planning for future acquisitions, and keeping track of those assets susceptible to loss or theft.

*Response:* Establishment and maintenance of fixed asset records, as well as bringing financial reporting into GASB34 compliance, is a long-term goal for the school district. The School District recognizes this as a good business practice, particularly for budgeting and planning purposes.

**A-2 Lack of Segregation of Duties for Hot Lunch Fund**

*Condition:* There exists a lack of segregation of duties over cash receipts and disbursements for the Hot Lunch Fund. Currently, the food service manager receives lunch money, brings the deposit to the bank, mails signed checks, maintains the checkbook, and performs the bank reconciliation.

*Criteria:* The School District is responsible for implementing internal control procedures to ensure that all cash is received and recorded.

*Effect:* Assets could be misappropriated and cash could be misstated due to error or fraud.

*Recommendation:* We recommend that cash procedures be reviewed and duties segregated to minimize the risk of misappropriation or misstatement.

*Response:* Recognizing there are limited funds with which to hire additional staff, we will implement procedures to minimize risk.

**A-3 Lack of Segregation of Duties for Agency Funds**

*Condition:* There exists a lack of segregation of duties over cash for the Student Activities Fund and the Principal's Account. The school secretary receives cash, prepares and brings the deposit to the bank, prepares and mails checks, maintains the accounting for the funds, and prepares the monthly bank statement reconciliations.

*Criteria:* The School District is responsible for implementing internal control procedures to ensure that all cash is received and recorded and that all cash is disbursed for valid expenses.

*Effect:* Cash could be misstated due to error or fraud and cash could be disbursed for unauthorized purposes.

*Recommendation:* We recommend that cash procedures be reviewed and duties be segregated to minimize the risk of misappropriation or misstatement.

*Response:* Recognizing there are limited funds with which to hire additional staff, we will implement procedures to minimize risk.