

Chappaqua Central School District, New York

Independent Auditors' Report on Communication of
Internal Control Matters Identified in the Audit

June 30, 2012

Independent Auditors Report on Communication of Internal Control Related Matters Identified in the Audit

Chappaqua Central School District
66 Roaring Brook Road
Chappaqua, New York 10514

In planning and performing our audit of the basic financial statements of the Chappaqua Central School District, New York ("District") as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

We have included in this letter a summary of communications with the Board of Education as required by generally accepted auditing standards. We are also required to communicate any control deficiencies we identified during the audit and determined to be significant deficiencies or material weaknesses. This communication is a requirement of the Statement on Auditing Standards (SAS) 115: Communicating Internal Control Related Matters Identified in an Audit.

Our consideration of internal control was for the limited purpose of conducting your School District's audit and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention by those charged with governance.

As indicated in the attached Addendum A, we identified certain deficiencies in internal control that we consider to be control deficiencies as well as other comments and recommendations identified in Addendum B that are opportunities for strengthening internal controls and operating efficiency.

It is important to note that control deficiencies are not necessarily issues management and the Board of Education will choose to address, however, control deficiencies may represent potential risks. Our responsibility as your auditor is to ensure that management and the Board of Education are aware of these deficiencies or weaknesses so that you can make informed business decisions on how best to respond to these risks.

This report, summary of communications and addendums are intended for the information and use of management and the Board of Education. However, this report is a matter of public record and its distribution is not limited. We will be pleased to discuss these comments in further detail at your convenience, or to assist you in implementing the recommendations.

O'Connor Davies, LLP

O'Connor Davies, LLP

Harrison, New York

August 17, 2012

Chappaqua Central School District, New York

Summary of Communications

- Auditors' Responsibility Under Auditing Standards Generally Accepted in the United States of America
 - Unqualified opinion on financial statements
 - No change in scope of the audit
 - No material errors
 - No fraud or illegal acts identified
 - No instances/suspicion or allegations of fraud were noted during conduct of audit
- Internal Accounting Controls
 - Reviewed to extent necessary to render our opinion on the financial statements
 - No material weaknesses noted
- Significant Accounting Policies
 - Accounting policies appears appropriate
 - Significant accounting policies included in Note 1 to the financial statements
 - No changes in accounting policies during the year
- Management's Judgments and Accounting Estimates
 - Estimates used deemed adequate
- Audit Adjustments
 - No significant unrecorded adjustments
- Other Information in Documents Containing Audited Financial Statements
 - Management's Discussion and Analysis appears reasonable
- Disagreements with Management
 - None
- Unresolved Difficulties Encountered in Performing the Audit
 - None

Chappaqua Central School District, New York

Summary of Communications

- Consultation by Management with Other Accountants
 - None of which we were made aware
- Management Consulting Services
 - None
- Independence
 - O'Connor Davies, LLP is independent in all respects
- Irregularities or Illegal Acts
 - Nothing to report

Chappaqua Central School District, New York

Addendum A

- **School Lunch**

Prepaid Meal Cards

The District uses prepaid meal cards in administering the school lunch program. We were advised that the students are able to exceed the balances on the cards up to \$60. We noted that a receivable of \$15,248 was recorded for students that have exceeded the balances on the cards as of June 30, 2012. We further noted that the District does not have a policy in place for writing off uncollectable meal card balances when a student leaves the District.

Recommendation

We recommend that management continue to make reasonable efforts to eliminate the receivable balance at year end. Furthermore, we recommend that management implement a policy for writing off meal card balances that are deemed uncollectable.

- **Special Aid Fund**

The School District participates in the State's summer program for handicapped pupils. The State funds eighty percent of this program and the balance is funded by the General Fund. The State has mandated that all revenues and expenditures related to this program be accounted for in the Special Aid Fund. Our audit disclosed the following:

Amounts Due from State

The School District had outstanding amounts due from the state for the 2008-09, 2009-10, and 2010-11 summer handicapped program year of \$182,829, \$158,413, and \$312,660 respectively.

Recommendation

We suggest that the School District monitor these outstanding amounts and present all write-offs to the Board including records relating to these programs identifying the rate setting costs and the amounts actually paid by the School District. If such amounts are ultimately deemed uncollectable, they should be written off with board approval and funded by the General Fund.

Chappaqua Central School District, New York

Addendum A

- **Special Purpose**

Inactive Account

During our audit of the Special Purpose fund, we noted that one trust account, the Miles Chair Fund, had no activity for the year.

Recommendation

We recommend that the District analyze the balance and review the purpose of this bequest so that a determination may be made as to the proper disposition of the funds. Should it be determined that these amounts are no longer required to be held in the trust account, a Board resolution should be approved transferring these amounts to the General Fund.

- **Agency Fund**

Flexible Spending Accounts

During the review of the Agency fund, it was noted that the balances in the Flexible Spending Accounts (T0821 & T0822) did not agree with the liability balances on the AFLAC Flexible Spending Analysis Report. The balance in these accounts should tie to what the District is liable for in the months subsequent to June 30th, 2012.

Recommendation

We recommend that the District perform a reconciliation up to June 30th for these accounts. Each month the deposits and the payments should be reconciled between the District's books and the AFLAC Reports.