

MANAGEMENT LETTER
CAMDENTON R-III
SCHOOL DISTRICT

JUNE 30, 2012

DRAFT



To Management and the Board of Education of
Camdenton R-III School District:

In planning and performing our audit of the financial statements of Camdenton R-III School 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 Camdenton R-III School District's internal control over financial reporting (internal control) 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.

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 and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 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 did not identify any deficiencies in internal control that we consider to be material weaknesses.

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 attention by those charged with governance. We consider the following deficiency in the District's internal control to be a significant deficiency:

Finding 2011-2 Custodial Credit Risk

Criteria: Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits.

Condition: A large deposit was made on June 30, 2011, but communication was not made in order to adjust coverage. Therefore, the District had exposure in one bank in the amount of \$257,498 for twenty-four hours at June 30.

Cause: Reason(s) unknown to auditors.

Effect: The District's deposits were not secured during the year as required by Missouri state statute.

Recommendation: The District work closely with financial institutions to ensure deposits are secured during the year.

Current Status: A large deposit was made on June 30, 2012, but again communication was not made in order to adjust coverage. Therefore, the District had exposure in one bank in the amount of \$2,221,139 for twenty-four hours at June 30.

We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, during our audit we became aware of instances for the communication of control deficiencies:

Segregation of Duties

We are required to assess the internal controls of the District, which includes proper segregation of duties. As in many smaller to medium-sized organizations, it is difficult to obtain optimum segregation of duties due to limited number of employees. We recommend management review these processes and adjust them accordingly to optimize the functionality of internal controls.

Oversight of the Financial Reporting Process

Establish internal control over financial statement preparation and review

The District's management is responsible for establishing and maintaining internal control and for the fair presentation of the government-wide financial statements, governmental fund financial statements, supplementary information, and disclosures in the financial statements, in conformity with modified cash basis accounting principles generally accepted in the U.S. The District does not have a system of internal control that would provide management with reasonable assurance that the District's financial statements and related disclosures are complete and presented in accordance with modified cash basis accounting principles generally accepted in the U.S. As such, management has requested us to draft the financial statements from the trial balance, including the related note disclosures.

We will review the status of these comments during our next audit engagement. We have already discussed this comment with the District's personnel.

We wish to thank management and staff for their support and assistance during our audit.

This communication is intended solely for the information and use of management, the Board of Education, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Graves and Associates,
CPAs, LLC

GRAVES AND ASSOCIATES, CPAs, LLC
Jefferson City, Missouri

November 2, 2012