



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

September 10, 2014

To the Board of Education
Troy, North Carolina

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Montgomery County Board of Education (the Board) for the year ended June 30, 2014, and have issued our report thereon dated September 10, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing described in our engagement letter dated January 7, 2014.

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 the Board are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year.

We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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 financial statements include no overly sensitive estimates.

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. We noted no such misstatements as any significant adjustments made during the audit were brought to our attention by management.

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 auditors' 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 10, 2014.

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 auditors' 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 the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries 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 an opinion or provide any assurance on the RSI.

We were engaged to report on the individual fund budgetary schedules and the schedule of expenditures of federal and State awards which accompany the financial statements but are not RSI. With respect to this 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 accounting principles generally accepted in the United States of America, 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 members of the Montgomery County Board of Education and management of the Board and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Anderson Smith & Wike PLLC

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Rockingham, North Carolina



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Montgomery County Board of Education
Troy, North Carolina

In planning and performing our audit of the financial statements of the Montgomery County Board of Education for the year ended June 30, 2014, we considered the Board's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit, however, we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. This memorandum summarizes our comments and suggestions regarding this item. We previously reported on the Board's internal control structure in our report dated September 10, 2014. This letter does not affect our report dated September 10, 2014, on the financial statements of the Montgomery County Board of Education.

School Food Service Fund – Adult Meal Price

Federal child nutrition program guidelines require that the price of an adult meal should be sufficient to cover the cost to produce the meal. Boards of Education are not allowed to use federal funds to subsidize the cost of adult meals. For the year ended June 30, 2014, we calculated that the price charged for an adult meal was 13 cents less than the cost to produce the meal. The child nutrition program served a total of 12,840 adult meals for the year. This equated to a total adult meal revenue shortage for the year of \$1,702 that will have to be paid to the child nutrition program from local funds. We recommend that the Board consider raising the price of adult meals or switching to a-la-carte adult meal prices to correct this issue.

The aforementioned comment is intended to be a constructive suggestion for improvement in the effectiveness of internal accounting controls and financial records. We will review the status of this comment during our next audit engagement. We have already discussed this comment with various personnel, and we will be pleased to discuss it in further detail at your convenience, to perform any additional study of the matter, or to assist you in implementing the recommendation.

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