



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

January 6, 2017

To the Board of Education
Windsor, 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 Bertie County Board of Education (the Board) for the year ended June 30, 2016, and have issued our report thereon dated January 6, 2017. 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 July 18, 2016. 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 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. 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 only significant estimates used in the preparation of the basic financial statements are as follows:

- Management's estimate of depreciation expense is based on the assets' respective estimated useful lives. We evaluated the key factors and assumptions used to develop the accumulated depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimates for the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense are based upon guidance provided by independent third parties. We have evaluated key factors and assumptions used by the third parties to develop the estimates of net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense 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

The completion of our audit was delayed because the Board's bank accounts and other key general ledger accounts were not reconciled by management in a timely manner. These issues have been reported as repeat findings from the previous year's audit in the schedule of findings and questioned costs included in the Board's June 30, 2016 financial statements.

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 all such misstatements. The following material misstatements were detected by our audit procedures and corrected by management:

1. During the current year, the district received three school buses under an installment purchase agreement totaling \$247,890. Management made an entry during our audit to record this transaction. As a result, a budget violation was incurred in the Capital Outlay Fund as described in Note 2 of the Board's June 30, 2016 financial statements.
2. The district's Special Restricted Fund borrowed \$120,313 during the current year from the General Fund to pay operating expenditures. Management made an entry during our audit to record this transaction.
3. Various material prior period adjustments were required to be recorded during the current year to correct previously reported financial statement balances. These prior period adjustments are described in Note 5 of the Board's June 30, 2016 financial statements.

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 January 6, 2017.

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

During our audit, we became aware of various material weaknesses and significant deficiencies in the Board's internal controls over financial reporting, and major federal and State programs. These issues have been reported in the schedule of findings and questioned costs included in the Board's June 30, 2016 financial statements. In addition, we became aware of other matters that are an opportunity for strengthening internal controls and operating efficiency which are included in a separate letter issued to the Bertie County Board of Education that is dated January 6, 2017.

Other Matters

Auditing standards generally accepted in the United States of America and Government Auditing Standards requires independence for all audits. The two main principles of independence are: (1) do not perform nonattest services that involve making management decisions; and (2) do not audit your own work. No events have occurred to impair our independence during this year's audit. We have assisted management in the preparation of the Board's basic financial statements and the schedule of expenditures of federal and State awards. Management has reviewed and approved the basic financial statements and the schedule of expenditures of federal and State awards.

We applied certain limited procedures to Management Discussion and Analysis, the Schedule of the Board's Proportionate Share of the Net Pension Liability and the Schedule of Board Contributions, 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, as well as 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.

Restrictions on Use

This information is intended solely for the information and use of members of the Bertie 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

Anderson Smith & Wike PLLC
Rockingham, North Carolina