



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Date: October 31, 2023

Memorandum to: Anthony Zerrilla, Finance Director
Botetourt County, Virginia

From: Corbin Stone

Regarding: Audit Recommendations

In planning and performing our audit of the financial statements of the County of Botetourt, Virginia for the year ended June 30, 2023, we considered the County's internal control structure to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience. **The audited financial statements contain findings in the schedule of findings and questioned costs and should be reviewed in conjunction with the comments below.**

Lease Accounting:

A relatively new Accounting Standard (GASB 87) requires localities to report lease receivables and payables in the financial statements. The County has entered into a number of cell tower leases (as lessee and lessor) and the terms of these agreements can be extensive (over 20 years). We were able to reconcile the lease agreements to actual receipts and payments in the books (within a material amount) but noted some variances between the expected payments and actual payments. We recommend that the County develop a tracking system to validate collections and payments for these lease agreements going forward.

Timeliness of School Reimbursement Requests:

During our review of the federally funded Special Education Program and the Elementary and Secondary School Emergency Relief Program (ESSER), we noted delays between the expenditure of funds under the program and related reimbursement requests. For instance: we noted that a May 26, 2023 reimbursement request covered the period of 7/1/2022 through 3/31/2023. We strongly recommend that the School Board request funds within 45 days of expenditure to ensure funds are received in a timely manner and are posted to the correct fiscal year. This will further increase interest revenue for the County as funds would be placed on deposit earlier.

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School Board Budget:

The budget(s) entered into the School Board's accounting software appear to be incomplete and/or contain misclassifications. The Software allows for the entry of an original budget and a final budget. The original budget column was incomplete and did not show the entire budget and the final budget column for revenues and expenditures did not balance. As budgeted revenues fell short of budgeted expenditures, the budget (by default) anticipated the use of existing fund balance in an amount that exceeded remaining fund balance from the prior year. In the future, the initial approved budget should be entered into the accounting software and changes to the budget should be accounted for in the "final" budget column. The budget should be monitored against actual data and against requirements to maintain a balanced budget. Accordingly, the budgeted use of beginning fund balance or equity should not exceed the actual beginning fund balance that existed at the beginning of the fiscal year.

Annual School Report:

Each year, School Administration prepares a detailed financial report for submittal to the State Department of Education by September 15th. This report was not available for review during the audit and was submitted to the State after the aforementioned deadline. We recommend that School Administration work toward compliance with the annual deadline.