

# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

**Date:** September 28, 2017

**Memorandum To:** Meherrin River Regional Jail Authority

**From:** Robinson, Farmer, Cox Associates

**Regarding:** Audit for year ended June 30, 2017

In planning and performing our audit of the financial statements of Meherrin River Regional Jail Authority for the year ended June 30, 2017 and 2016, we considered the Authority'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. This letter does not affect our report dated September 28, 2017 on the financial statements of Meherrin River Regional Jail Authority. 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, to perform any additional study of these matters, or to assist you in implementing the recommendations.

## Recording of ICMA Payments

ICMA payments for the defined contribution portion of retirement are currently recorded in the same GL account as payments to VRS for the defined benefit portion of retirement. The ICMA payments are related to hybrid employees and will continue to increase as the workforce changes. Deferred outflows are currently reclassified from the retirement expense account in accordance with GASB 68 requirements.

We recommend that ICMA payments be recorded in a separate GL account so that deferred outflows are isolated to employer contributions made to VRS for defined benefits. *An email was exchanged with management upon completion of our workpaper review to discuss this issue. After the conclusion of fieldwork and prior to this communication, management created new general ledger accounts for ICMA activity and prepared JE's to move the FY18 activity to date to these accounts.*

## Preparation of CAFR

The Authority issued a revenue bond of \$33,770,000 to advance refund a portion of the 2010 revenue bond. Although activity was properly reflected in the general ledger, the comprehensive annual financial report (CAFR) did not reflect all necessary information regarding the debt transaction. Since this is not a routine transaction, the auditor assisted with preparation of the statement of cash flows.

Management has taken measures to reduce costs, such as adding various employee benefits (a self-insured health insurance fund) and refunding the 2010 revenue bond, which have had a significant impact on the CAFR. The Finance Director prepares the CAFR with limited assistance from the auditors and attends annual training events related to governmental accounting. In the coming year, a new OPEB standard will be implemented, requiring a different accounting approach. We recommend that the Finance Director continue to seek training to assist with CAFR preparation, especially in instances where non-routine transactions are encountered and significant new accounting principles are implemented.