



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Date: April 17, 2020

Memorandum To: Rappahannock County Water and Sewer Authority

From: Robinson, Farmer, Cox Associates

Regarding: Audit for Year Ended June 30, 2019

In planning and performing our audit of the financial statements of Rappahannock County Water and Sewer Authority for the year ended June 30, 2019, 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 April 17, 2020 on the financial statements of Rappahannock County Water and Sewer 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.

Advertisement of Statement of Financial Condition

Finding

Section 30-140 of the Code of Virginia requires a summary statement of financial condition to be published in a newspaper of general circulation in the locality of the entity. This statement should include at a minimum total assets, liabilities, and net position; total revenues, expenses, and other sources or uses; and the change in net position. This advertisement was not done for fiscal year 2019.

Recommendation

We recommend the Authority advertise the statement of financial condition as required by the Code of Virginia.

General Ledger Activity

Finding

The Authority's financial statements required a few material adjustments by the auditor to ensure compliance with Generally Accepted Accounting Principles (GAAP). Material audit adjustments were proposed for certain accruals including capital asset activity, accounts payable and pension and OPEB liabilities and related deferred outflows and inflows. Year-end audit preparation should include a review of reconciliations of accounts payable aging reports and depreciation schedules to the general ledger.

General Ledger Activity: (Continued)

Recommendation

We recommend that the Plant Manager and Bookkeeper work together in reviewing audit adjustments made and reconciling accrual accounts to incorporate the necessary adjustments into the year-end close process.

Bank Statements

Finding

The Authority provided online banking transaction reports instead of formal bank statements with bank reconciliations. The original statements are not filed with the financial records at the Plant but mailed directly to the Treasurer and reviewed against bank reconciliations.

Recommendation

We recommend the original statement or monthly statements printed from the online website be filed with the month reconciliations and other financial records.

Capital Assets

Finding

The listing of capital assets is not being maintained by the Authority. The Authority does not have significant capital asset activity; however, new equipment and an infiltration system project were identified as capital asset additions by the auditors. Maintaining the listing also includes calculating and recording depreciation expense.

Recommendation

The listing of capital assets should be updated by management as assets are purchased or disposed of throughout the year. Depreciation should be calculated, and the related journal entries recorded prior to audit fieldwork.