

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

**DATE:** November 30, 2016

**MEMORANDUM TO:** Jay Scudder, Manager  
City of Buena Vista, Virginia

**FROM:** Robinson, Farmer, Cox Associates

In planning and performing our audit of the financial statements of the City of Buena Vista, Virginia for the year ended June 30, 2016, we considered the City's internal controls to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal controls.

However, during our audit, we noted certain matters involving the internal controls and other operational matters that are presented for your consideration. This letter does not affect our report dated November 30, 2016, on the financial statements of the City of Buena Vista, Virginia. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal controls 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.

## **RECOMMENDATIONS FROM THE PRIOR YEAR STILL APPLICABLE:**

### **Collection of Water and Sewer Receivables**

In reviewing the aging of water and sewer receivables, we noted numerous delinquent accounts that had been inactive for several years. The allowance for uncollectible water and sewer receivables amounted to approximately 54% of billed water and sewer accounts receivable at June 30, 2016. It is our recommendation that the City consider addressing collection efforts for these delinquent accounts, and write off accounts that are no longer collectible.

### **Water and Sewer Revenue**

The City utilizes a separate software module for water and sewer billing that does not interface with the City's general ledger software, thus the monthly billing must be manually posted to the City's ledger. At June 30, 2016, an adjustment was necessary to balance the City's ledger with the subsidiary accounting records for water and sewer accounts receivable. In order to strengthen internal controls over the water and sewer billing and collection process, it is our recommendation that the City implement a monthly reconciliation of the subsidiary accounts receivable ledger to the City's general ledger.

### **Loans Receivable**

During our audit it was noted that as of June 30, 2016, no payments have been received from the borrowers of two \$15,000 loans issued from the City's Community Development Block Grant fund. We recommend that the City consider enhancing collection efforts for these delinquent loans receivable.

## **CURRENT YEAR RECOMMENDATIONS:**

### **Review of Bank Reconciliations**

Accounting personnel perform the bank reconciliation function. However, review of the completed bank reconciliation is not being performed on a consistent basis. This practice would greatly enforce the checks and balances necessary for strong controls over cash. We suggest that a member of management, such as the Finance Director, consistently review the bank reconciliations for any unusual items, investigate and fully resolve any such items. This review should be documented with his or her initialing of the reconciliation form.

### **Review of Interim Financial Reports**

Our procedures disclosed that the Council does not receive and review interim financial reports on a regular basis. In order to improve the ongoing monitoring of the accounting and financial reporting function, we recommend that the Council receive and review interim financial reports throughout the year and at a minimum on a quarterly basis.

### **Governmental Accounting Standards Board Pronouncements**

In order to assist your staff in preparing for upcoming accounting changes, we have included the following summaries of Governmental Accounting Standards Board (GASB) pronouncements that will affect the County in upcoming years.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.

Statement No. 77, *Tax Abatement Disclosures*, will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial statements for periods beginning after November 30, 2016.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after November 30, 2016.

Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

