

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Date: December 30, 2014

MEMORANDUM TO: Charlottesville-Albemarle Airport Authority

FROM: Robinson, Farmer, Cox Associates

REGARDING: *Robinson, Farmer, Cox Associates*
FY 13-14 Audit

In planning and performing our audit of the financial statements of Charlottesville-Albemarle Airport Authority for the year ended June 30, 2014, 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 December 30, 2014, on the financial statements of Charlottesville-Albemarle Airport 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.

Payroll Related Items

In August 2014, the Auditor of Public Accounts (APA) issued their 2014 Specifications, requiring a more detailed review of Virginia Retirement System (VRS) reporting. While no compliance errors were reported, a few observations were made in relation to this testing. Historically, VRS withholdings have been entered in the payroll system as a flat dollar amount versus a specific percentage. In the event a promotion or raise is given and this item is not updated, there is a chance of VRS reporting errors.

We recommend that VRS percentages be entered into the payroll system vs. a flat dollar amount so that calculations are updated when pay rates change. In addition, we recommend the service organization modify payroll reports to include reporting the employer portion of VRS so that this can be reconciled to information in VNav and the general ledger. We also recommend that the VRS liability and payment be recorded when payroll is posted in the same manner as other deductions/taxes. To further enhance internal controls, we recommend that a monthly reconciliation be prepared to reconcile amounts in VNav versus the general ledger and payroll reports. To establish this, we recommend that payroll duties be handled within the finance department instead of within Human Resources or that these individuals establish procedures to ensure changes are properly communicated to all necessary parties.

Unclaimed Property

Several checks on the June 2014 bank reconciliation were outstanding for more than one year. The Virginia Unclaimed Property Act requires that checks outstanding in excess of one year be remitted to the Virginia Treasury as unclaimed property. In the prior year, we recommended that staff review the bank accounts for checks outstanding greater than one year, perform due diligence related to contacting payees, and where applicable, remit the funds to the State in accordance with the Unclaimed Property Act. *Per inquiry of staff, a report was filed with Unclaimed Property by the November 1st deadline.* Staff responsible for preparing or reviewing bank reconciliations should annually review the status of outstanding checks and ensure the Authority is in compliance with requirements of the Unclaimed Property Act.

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Communication with Those Charged with Governance

To the Honorable Members of the Charlottesville-Albemarle Airport Authority

We have audited the financial statements of the business-type activities of Charlottesville-Albemarle Airport Authority for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and OMB Circular A-133, 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 May 30, 2014. 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 Charlottesville-Albemarle Airport Authority are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by Charlottesville-Albemarle Airport Authority 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 most sensitive estimate affecting the financial statements was depreciation.

Management's estimate of the depreciation is based on established guidelines and experience. We evaluated the key factors and assumptions used to develop depreciation expense in determining that it is 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

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is 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 December 30, 2014.

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 Charlottesville-Albemarle Airport Authority's financial statements or a determination of the type of auditor's 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 Charlottesville-Albemarle Airport Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis and the schedule of pension funding progress, which are 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 schedule of administrative expenses, reconciliation of the statement of revenues, expenses, and changes in net position to the year-end profit and loss statement, the schedule of expenditures of federal awards, and the schedule of Passenger Facility Charges collected and expended and interest credited, 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.

We were not engaged to report on the introductory section or statistical section, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the Authority Board, audit committee, and management of Charlottesville-Albemarle Airport Authority and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Farmer, Co. Associates
Charlottesville, Virginia
December 30, 2014