

**Report to the
Board of Directors**

South Central Wastewater Authority

June 30, 2016



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Communication with Those Charged with Governance

November 9, 2016

Board of Directors
South Central Wastewater Authority

We have audited the financial statements of South Central Wastewater Authority (the “Authority”) for the year ended June 30, 2016, and have issued our report thereon dated November 9, 2016. Professional standards require that we provide you with information about our responsibilities in accordance with auditing standards generally accepted in the United States of America, 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 19, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by South Central Wastewater 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 2016. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

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:

Management’s estimate of the net pension liability and the related deferred inflows and outflows are based on a valuation performed by independent actuaries in accordance with generally accepted actuarial procedures and methods. We evaluated the key factors and assumptions used to develop the net pension liability and related deferred inflows and outflows in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of Deposits and Investments in Note 4 to the financial statements as there is risk associated with deposits and investments that must be properly disclosed.

The disclosures of Nutrient Credit Purchases, Sales and related Commitments in Notes 10 and 11 of the financial statements as there is risk associated with these nutrient credits in order for the Authority to remain in compliance with environmental regulations.

The disclosure of the contingency in Note 12 related to the City of Petersburg as the Authority relies heavily on payments from Petersburg for its services.

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 misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no uncorrected misstatements and the one audit adjustment posted was immaterial (\$ 2 beginning balance adjustment).

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as 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 included in Appendix A.

Management Consultations with Other 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 the Authority's financial statements or a determination of the type of auditors' 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 Significant Matters, 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 the 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.

This information is intended solely for the use of the Board of Directors and management of South Central Wastewater Authority, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Dixon Hughes Goodman LLP

Chester, Virginia

Appendix A

Management Representation Letter



South Central Wastewater Authority
900 Magazine Road
Petersburg, VA 23803
(804) 861-0111

November 9, 2016

Dixon Hughes Goodman LLP
3700 Festival Park Plaza
Chester, Virginia 23831

This representation letter is provided in connection with your audits of the financial statements of South Central Wastewater Authority (the "Authority"), which comprise the balance sheet as of June 30, 2016 and the related statements of revenue, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of the date of this letter:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 19, 2016 for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. The following have been properly accounted for and disclosed in the financial statements:
 - a. Related-party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties
 - b. Guarantees, whether written or oral, under which the Authority is contingently liable
 - c. Other liabilities or gain or loss contingencies

5. Significant estimates that may be subject to a material change in the near term have been properly disclosed in the financial statements. We understand that “near term” means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the Authority vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.
6. Significant assumptions we used in making accounting estimates, including estimates of fair value, are reasonable.
7. There were no uncorrected misstatements or omitted disclosures.
8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

Information Provided

9. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
10. All transactions have been recorded in the accounting records and are reflected in the financial statements.
11. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
12. We have no knowledge of any fraud or suspected fraud affecting the Authority involving:
 - a. Management.
 - b. Employees who have significant roles in internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
13. We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority’s financial statements received in communications from employees, former employees, analysts, regulators, short sellers, or others.
14. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
15. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.
16. We have disclosed to you the identity of the entity’s related parties and all the related party relationships and transactions of which we are aware.
17. The Authority has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

18. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
19. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation or claims.
20. The Authority has satisfactory title to all owned assets and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

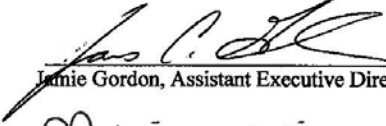
21. In regards to the nonattest services performed by you - financial statement preparation services and audit adjustments, if any, we have:
 - a. Assumed all management responsibilities
 - b. Overseen the service, by designating an individual, within senior management, who possess suitable skill, knowledge, or experience.
 - c. Evaluated the adequacy and results of the services performed.
 - d. Accepted responsibility for the results of the services.
 - e. Evaluated and maintained internal controls, including monitoring ongoing activities.
22. The financial statements properly classify all funds and activities.
23. Net position components (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
24. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
25. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
26. Deposits and investment securities are properly classified as to risk, and investments are properly valued.
27. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
28. We have provided you all information in relation to the salary reimbursement transactions between the Authority and Appomattox River Water Authority as disclosed in Note 13 of the financial statements and believe the information to be complete and accurate.
29. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
30. The information we have provided to you regarding commitments, specifically those disclosed in Note 11 of the financial statements, is complete and accurate.
31. The information we have provided to you regarding the contingency related to the City of Petersburg as disclosed in Note 12 of the financial statements is complete and accurate.

32. We acknowledge our responsibility for presenting the required supplementary information (RSI) in accordance with U.S. GAAP, and we believe that the RSI, including its form and content is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the RSI have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

We have evaluated subsequent events through the date of this letter, which is the date the financial statements were available to be issued. No events have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.



Robert Wichser, Executive Director



Janie Gordon, Assistant Executive Director



Melissa Wilkins, Accounting/Office Manager