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February 24, 2021

To the Board of Directors
Orange County Water Authority

Richard P. Capicchioni, CPA
Walter J. Jung, CPA
Jennifer A. Traverse, CPA

We have audited the accompanying financial statements of the governmental activities of the Orange County Water Authority (Authority), (a component unit of the County of Orange, New York), as of December 31, 2020 and the related notes to the financial statements. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, 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 January 7, 2021. 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 the Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2020. We noted no transactions entered into by the 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 Authority's financial statements was:

Management's estimate of depreciation of fixed assets is based on estimated useful lives. We evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatement

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. A listing of the adjusting journal entries recorded accompanies this letter.

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 auditor's 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 February 24, 2021.

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 the governmental unit'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 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.

Additional Comments

1. Internal Control

Normal internal control procedures for cash receipts require a segregation of duties concerning receiving, recording, depositing and reconciling cash receipts. Proper internal controls over cash disbursements require a segregation of duties concerning approving bills to be paid, writing checks, signing checks, recording disbursements and reconciling bank statements.

Normally, we would recommend that each of the above stated duties be assigned to different employees. Due to the limited number of employees, we realize it is impractical for the authority to segregate duties as required to comply with normal internal control procedures.

2. We found that at year-end there were open positions on the Board and for the Executive Director of the Authority.

We recommend that these positions be filled as soon as possible.

This information is intended solely for the use of the Executive Director and members of the Board and management of Orange County Water Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



NUGENT & HAEUSSLER, P.C.

Client: **OCWA1234 - Orange County Water Authority**
 Engagement: **Orange County Water Authority**
 Period Ending: **12/31/2020**
 Trial Balance: **Annual Trial Balance**
 Workpaper: **Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
To reverse prior year Due from Federal and NYS				
980-4275	HREP 2017/Moodna Stream Gauge		26,350.00	
980-4300	HREP 2016/ESTE Grant		3,305.60	
980-4700	Natural Lands Grant Reim		7,500.00	
410	Due from NYS/Federal Gov't			37,155.60
Total			37,155.60	37,155.60
Adjusting Journal Entries JE # 2				
To correct Net Position @ 12/31/2020				
909	Net Position		71.00	
7028	6120 + Bank Service Charges			71.00
Total			71.00	71.00
Adjusting Journal Entries JE # 4				
To correct balance of Prepaid Expense @ 12/3/20				
7011	7000-Contract Serv.:Insurance		213.00	
350	Prepaid Insurance			213.00
Total			213.00	213.00
Adjusting Journal Entries JE # 5				
To record 2020 depreciation				
7500	Depreciaiton		4,105.00	
380	Total Accumulated Depreciation			4,105.00
Total			4,105.00	4,105.00
Adjusting Journal Entries JE # 6				
To reclassify expense for computer to fixed assets				
365	Office Equipment		1,483.45	
8000	Computer Equipment			1,483.45
8000	Computer Equipment			
Total			1,483.45	1,483.45
Adjusting Journal Entries JE # 7				
To record the Due from Federal and State @ 12/31/2020				
410	Due from NYS/Federal Gov't		29,515.51	
980-4275	HREP 2017/Moodna Stream Gauge			5,564.31
980-4300	HREP 2016/ESTE Grant			2,949.60
980-4350	HREP 2018/Newburgh Protection			9,600.00
980-4360	HREP 2019- HR Education Curric			5,652.00
980-4370	WQIP 2018/Newburgh WQIP			5,749.60
Total			29,515.51	29,515.51

Adjusting Journal Entries JE # 8

Client: **OCWA1234 - Orange County Water Authority**
 Engagement: **Orange County Water Authority**
 Period Ending: **12/31/2020**
 Trial Balance: **Annual Trial Balance**
 Workpaper: **Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
To correct the balance of the Accrued sick time @ 12/31/20				
522-6000	6000-Persnl Serv.:Salary, Administrator		2,318.59	
7024	8600-Employ. Benf.:FICA-Medicare		177.38	
601	Accrued Payroll + Taxes			2,495.97
Total			<u>2,495.97</u>	<u>2,495.97</u>
Adjusting Journal Entries JE # 9				
To record the accounts receivable @ 12/31/20 for bank fees refund sent by bank				
305	Accounts Receivable		3,778.00	
7028	6120 + Bank Service Charges			3,778.00
Total			<u>3,778.00</u>	<u>3,778.00</u>