DATE: November 15, 2016

MEMORANDUM TO: Ms. Angela K. Clem, Town Manager
Town of Woodstock, Virginia

FROM: Robinson, Farmer, Cox Associates

REGARDING: FY 2016 Audit

In planning and performing our audit of the financial statements of the Town of Woodstock, Virginia for the year ended June 30, 2016, we considered the Town'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 control structure.

However, during our audit, we noted certain matters involving other operational matters that are presented for your consideration. This letter does not affect our report dated November 15, 2016 on the financial statements of the Town of Woodstock, Virginia. 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.

Physical Inventory-Public Utilities

During our audit, we noted that the Town does not have a consistent system of taking periodic inventory counts for its public utilities fund. This is a weakness in the system of controls and has the potential for allowing abuse including fraud and other defalcation to exist and not be detected. Physical counts of inventory should be done at least quarterly. The results should be reviewed and reconciled to the perpetual system by the Finance Director. The perpetual inventory listing should be reconciled to the general ledger with any large discrepancies investigated and explained. Any adjustments should be made and a procedure should be implemented to allow for these adjustments to occur on a quarterly basis.

Information Technology Review

As part of our annual audit, an IT review was performed by our certified IT auditor. Recommendations were presented to management for consideration. One significant recommendation concerned access to the Town's computer servers. Currently, the servers are located in an unsecured area of Town Hall. We recommend that the Town consider restricting access to essential staff in an effort to reduce the risk of either intentional or unintentional events that could cause damage to the servers or data.

Governmental Accounting Standards Board Pronouncements

In order to assist your staff in preparing for upcoming accounting changes, we have included the following summary of Governmental Accounting Standards Board (GASB) pronouncements that will affect the Town 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 December 15, 2015.

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 December 15, 2015.