DATE: November 30, 2016

MEMORANDUM TO: Mary T. Price, County Administrator
County of Shenandoah, Virginia

FROM: Robinson, Farmer, Cox Associates

In planning and performing our audit of the financial statements of the County of Shenandoah, Virginia for the year ended June 30, 2016, we considered the County'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 County of Shenandoah, 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.

Review of Daycare Billings and Maintenance of Accounts Receivable for Daycare

At July 1, 2016, responsibility for the daycare billings for Seven Bends Student Centers was transferred from the Social Services Department to Parks and Recreation. As recommended in our prior year audit, we strongly suggest that procedures be established to provide supervisory review of all daycare billings, collections, and the maintenance of an accounts receivable subsidiary ledger. Cash collections should be recorded in detail to determine their source and application to the accounts. Procedures should also be established to ensure that accounts receivable balances are reconciled between the general ledger and the subsidiary on a consistent and timely basis. All differences and the reason for such differences to occur should be investigated and resolved as soon as possible. These procedures will assist the County in establishing reliable internal control for the billing and collection of its daycare accounts receivable and revenues.

Public Hearing Publication-School Board Budget

Virginia Code Section 22.1-92, requires that the Component Unit School Board publicize notice of its public hearing regarding its proposed budget at least 10 days prior to the public hearing. During our audit, we were unable to document that the public hearing had been advertised with the local media in accordance with the Code. However, the School Board budget was advertised as part of the County Board of Supervisors' public hearing on the overall budget of the locality.

Consideration of Accounting Consultant to Aid Staff in Year-End Accounting

Due to the impending turnover in the County's finance department, we assisted the accounting staff and proposed several adjusting audit entries that were necessary to materially state the financial statements for the County. It is our recommendation that the County consider obtaining the services of an accounting consultant to aid the new finance director in the year-end closing of the books and to prepare for the annual audit. In time, the accounting staff should become familiar with the necessary procedures to complete the year-end accounting and may eliminate the need for outside help. Failure to properly record year-end accounting adjustments could result in a significant deficiency related to the audit process.

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. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, objective is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. No formal study or estimate of the impact of this standard has been performed.

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. 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.