

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

This letter contains redacted information which refers to details of control weaknesses that were communicated to locality management and governance but are FOIAE under Code of Virginia §2.2-3705.2 due its sensitivity and description of security controls or mechanisms.

**DATE:** November 13, 2017

**ME MORANDUM TO:** Ms. Angela K. Clem, Town Manager  
Town of Woodstock, Virginia

**FROM:** Robinson, Farmer, Cox Associates

**REGARDI NG:** FY 2017 Audit

In planning and performing our audit of the financial statements of the Town of Woodstock, Virginia for the year ended June 30, 2017, 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 13, 2017 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. It was noted during our audit that the Town has begun to take the necessary steps to accomplish this recommendation during fiscal year 2017 and hope to complete the physical inventory in 2018.

## **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.

[REDACTED]

## **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. 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. 86, *Certain Debt Extinguishment Issues*, improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.