

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

DATE: November 30, 2018

MEMORANDUM TO: Town of Strasburg, Virginia
Town Council

FROM: Robinson, Farmer, Cox Associates

REGARDING: Audit for year ended June 30, 2018

In planning and performing our audit of the financial statements of the Town of Strasburg, Virginia for the year ended June 30, 2018, we considered the Town's internal control structure 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.

During our audit we noted certain matters involving the internal control structure and other operational matters that are presented herewith for your consideration. This letter does not affect our report dated November 30, 2018 on the financial statements of the Town of Strasburg, Virginia. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control structure or result in other operational 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 Payroll

Based upon our audit procedures it was disclosed that the payroll processing duties are concentrated in one employee. In order to provide greater control over this area, we suggest that management review the payroll report prepared and processed by the Town for each payroll period. We also suggest that documentation of the review of these reports be made on the reports and maintained. It is our understanding that this procedure was implemented in November 2018.

Certificate of Achievement for Excellence in Financial Reporting

We feel that the Town's financial reporting is at a level to apply for the Certificate of Achievement for Excellence in Financial Reporting. This certificate is the highest form of recognition in governmental accounting and financial reporting. It has been our experience that obtaining this certification has been beneficial in obtaining financing from lenders. Additionally, certification from the GFOA demonstrates a locality's commitment to providing the most complete and informative financial report to its constituents and other users.

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. 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.

Uniform Guidance Policies and Procedures

The Office of Management and Budget (OMB) issued new guidance on Administrative Requirements, Cost Principles, and Audit Requirements for Federal awards. The new Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Financial Awards (The "Super Circular", or "Uniform Guidance") requires some major policy reforms which are required to be implemented by all entities receiving federal funding effective January 1, 2018 for entities with a December 31 fiscal year end and July 1, 2018 for entities with a June 30th fiscal year end. These policy reforms should be implemented as soon as possible in order to avoid noncompliance with the terms and conditions of current federal awards and the direct and material compliance requirements for federal awards. The following sections of the Uniform Guidance require nonfederal entities that receive federal awards to establish written policies, procedures, or standards of conduct:

- Conflict of Interest (§200.112)
- Financial Management (§200.302)
- Payment (§200.305)
- General Procurement Standards (§200.318)
- Competition (§200.319)
- Methods of Procurement to be Followed (§200.320)
- Compensation – Personal Services (§200.430)
- Compensation – Fringe Benefits (§200.431)
- Relocation Costs of Employees (§200.464)
- Travel Costs (§200.474)

In order to ensure that your policies and procedures meet these new requirements, we recommend that you review the new requirements in detail and revise your current policies, as necessary.