



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

MEMORANDUM TO: County of Rockbridge, Virginia **DATE:** December 13, 2019

FROM: Robinson, Farmer, Cox Associates

REGARDING: FY 19 Audit

In planning and performing our audit of the financial statements of the County of Rockbridge, Virginia for the year ended June 30, 2019, 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 December 13, 2019, on the financial statements of the County of Rockbridge, 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.

Creation of Accounts

Under current procedures, new school fund expenditure accounts are created at the start of each year. This practice results in a significant amount of effort to update the general ledger chart of accounts annually. Because of the time commitment to add this volume of new accounts, during fiscal year 2019 the new accounts were added to the ledger with no account title/description. In order to determine proper account grouping for financial statement presentation, these accounts had to be manually labeled with an account description. We recommend that the school board utilize the established accounts rather than creating new accounts each year. This will increase operating efficiency and reduce the likelihood of manual errors in establishing and mapping these new accounts at the start of the fiscal year.

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. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, requires 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. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Governmental Accounting Standards Board Pronouncements (Continued)

Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government’s majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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.