



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Date: July 1, 2026

Memorandum To: Honorable Town Council
Town of Clifton Forge, Virginia

From: Robinson, Farmer, Cox Associates

Regarding: Audit for fiscal year ended June 30, 2025

In planning and performing our fieldwork as part of the audit of the financial statements of the Town of Clifton Forge, Virginia ("Town"), for the year ended June 30, 2025, we considered the 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.

However, during our audit we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. This letter does not affect our report dated July 1, 2026, on the financial statements. Our comments and recommendations are intended to improve the internal control structure or result in other amounts that are normally operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience.

Observation:

During our audit, we noted that the Town has not yet implemented procedures to comply with the amended Security for Public Deposits Act (SPDA) regulations effective July 1, 2023. These regulations require all Virginia public depositors to verify, on a quarterly basis, that their public fund accounts are accurately reported to the Treasury Board using the Commonwealth's web-based Public Funds Search portal.

Implication:

Failure to complete this quarterly verification may result in noncompliance with SPDA regulations (1VAC75-20-160) and may expose the locality to potential risk if public funds are not properly reported and collateralized. This could increase exposure in the event of bank failure or other liquidity concerns.

Recommendation:

We recommend that management establish formal procedures to ensure quarterly SPDA account verifications are performed and documented in a timely manner. This process should include assignment of responsibility, periodic monitoring, and timely follow-up to address any discrepancies between the locality's records and the Treasury Board's reporting portal.

Observation:

During the course of the fiscal year 2025 audit, we reviewed the fiscal year 2024 (prior year filings are reviewed each year) reporting and reconciliations of the amounts expended under the state funded urban highway maintenance program. We concluded the Town did not reconcile the urban highway maintenance expenditures reported in the Town's general ledger for fiscal year 2024.

Implication:

We consider a reconciliation of the expenditures reported in the general ledger with amounts reported on the annual *U-3 Local Finance Survey*.

Recommendation:

As an important financial reporting control, the Town should reconcile expenditures reported in the general ledger with amounts reported on the annual *U-3 Local Finance Survey*.

Observation:

During our audit, we noted that disbursement approvals were not consistently applied in accordance with the Town's established approval process. We noted instances where required approvals were either missing or not adequately documented prior to payment.

Implication:

Inconsistent application of the disbursement approval process increases the risk of unauthorized or inappropriate expenditures and may weaken internal controls over cash disbursements.

Recommendation:

The Town should strengthen its disbursement approval process by ensuring that all payments are reviewed and approved in accordance with established policies before disbursement. Management should also reinforce these procedures through periodic monitoring to promote consistent compliance and maintain effective internal controls.