

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

DATE: November 21, 2017

MEMORANDUM TO: Town of Strasburg, Virginia
Town Council

FROM: Robinson, Farmer, Cox Associates

REGARDING: Audit for year ended June 30, 2017

In planning and performing our audit of the financial statements of the Town of Strasburg, Virginia for the year ended June 30, 2017, 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 21, 2017 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. This procedure was in place for a portion of the year but due to turnover in management, the reviews were halted for the latter half of the fiscal year.

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. 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.