

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

**DATE:** December 12, 2016

**MEMORANDUM TO:** Board of Supervisors  
County of Page, Virginia

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

**REGARDING:** FY 16 Audit

In planning and performing our audit of the financial statements of the County of Page for the year ended June 30, 2016, we considered the County's internal controls to plan our auditing procedures for the purpose of expressing our opinions 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 12, 2016, on the financial statements of the County of Page. 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.

## **Primary Government**

Our audit testing disclosed discrepancies between Virginia Retirement System (VRS) retirement contributions recorded in the County's general ledger and the actual amounts contributed to VRS. These discrepancies resulted from issues with the interface within the County's accounting software. In order to provide more accurate accounting of VRS contributions, we strongly recommend that the Finance Department perform a monthly reconciliation of VRS contributions recorded in the general ledger to the actual contributions remitted to VRS.

Furthermore, during our test of the County's bank reconciliations, we noted outstanding items related to the VRS contribution discrepancies described above. We suggest that bank accounts be reconciled and all differences between book and bank balances be investigated on a timely basis by appropriate personnel so that errors and adjustments can be quickly identified and corrected.

## **Component Unit-School Board**

During our audit it was determined that the School Board had entered into two capital leases that had not been recorded in its accounting system. One capital lease was for the purchase of school buses in the amount of \$285,583 and the second capital lease was for \$7,524,075 for energy saving building improvements. The costs of the building improvements and related lease payments should be recouped from future energy savings realized by the School Board. The lack of accounting for these capital leases, which led to significant adjusting journal entries, caused material misstatements in the financial statements. We strongly suggest that management implement additional procedures to ensure that all debt financing transactions and the resulting expenditures are properly recorded in the accounting system to properly portray the financial statements of the Component Unit School Board.

## **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. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

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. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, objective is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. No formal study or estimate of the impact of this standard has been performed.

Statement No. 77, *Tax Abatement Disclosures*, will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.