

## MANAGEMENT COMMENT LETTER

The Chairman and Members  
of the County Legislature  
County of Tioga  
Owego, New York

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Tioga (the County) for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in internal control to be significant deficiencies:

### **SIGNIFICANT DEFICIENCY**

#### Timeliness of Bank Reconciliations

##### Condition:

In our current and prior year audits, reconciliations of the County's bank accounts were not performed in a timely manner, resulting in an undetected material misstatement in the basic financial statements. Reconciling bank accounts on a timely basis permits errors or other problems to be recognized and resolved. Also, it is generally simpler and less time-consuming to reconcile accounts while transactions are fresh in mind.

**Recommendation:**

It was recommended management establish internal controls to ensure bank reconciliations are performed in a timely manner.

**Current Status:**

The conversion to new financial software caused a significant delay in reconciling bank accounts. It appears the County has made progress in 2017, and is more current in this process. However, these issues have continued to delay issuance of the County's audited financial statements.

We will review the status of this matter during our next audit engagement and will be pleased to discuss these in further detail at your convenience or perform any additional study of these matters.

**Other Matters**

**Current Year Findings:**

Negative Cash

**Finding:**

During our current year audit, individual funds in the pooled money market cash accounts had negative balances at various points during the year. The County Road and Self Insurance Funds had negative cash balances at year end.

**Recommendation:**

We recommend management monitor individual fund cash balances in the pooled money market account and report negative balances as a liability in the Balance Sheet or transfer cash between funds to ensure balances remain positive for each fund within the pooled money market account.

Deficit Fund Balances

**Finding:**

During our current year audit, we noted the County Road Fund and Internal Service Fund had negative unassigned fund balances of \$(78,200) and \$(2,557,383), respectively at December 31, 2016.

**Recommendation:**

We recommend management consider developing a plan to eliminate deficit fund balances as they plan future budgets and transfers from the General Fund.

Capital Asset Inventory Valuation

**Finding:**

It has been several years since a full valuation of the County's capital assets has been performed.

**Recommendation:**

We recommend the County evaluate the need for a full capital asset appraisal as part of budget and planning processes.

## **DISCUSSION ITEMS**

### Impact of Future Standards of the Governmental Accounting Standards Board (GASB)

The County of Tioga is in the process of assessing the future effects of each of the following:

- GASB has issued Statement No. 73, “Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68,” effective for the year ending December 31, 2017.
- GASB has issued Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,” effective for the year ending December 31, 2018. 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, effective for the year ending December 31, 2017.
- GASB has issued Statement No. 80, “Blending Requirements for Certain Component Units - an amendments of GASB Statement No. 14,” effective for the year ending December 31, 2017.
- GASB has issued Statement No. 81, “Irrevocable Split-Interest Agreements,” effective for the year ending December 31, 2017.
- GASB has issued Statement No. 82, “Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73,” effective for the year ending December 31, 2017, except for the requirements of paragraph 7 in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.
- GASB has issued Statement No. 83, “Certain Asset Retirement Obligations,” effective for the year ending December 31, 2019.
- GASB has issued Statement No. 84, “Fiduciary Activities,” effective for the year ending December 31, 2019.
- GASB has issued Statement No. 85, “Omnibus 2017,” effective for the year ending December 31, 2018.
- GASB has issued Statement No. 86, “Certain Debt Extinguishment Issues,” effective for the year ending December 31, 2018.
- GASB has issued Statement No. 87, “Leases,” effective for the year ending December 31, 2020.

The County will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

This communication is intended solely for the information and use of the County Legislature and management of the County of Tioga, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully Submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP  
Certified Public Accountants

Ithaca, New York  
February 19, 2018