ULSTER COUNTY COMPTROLLER'S OFFICE

Elliott Auerbach, Comptroller

July 21, 2016

Management Letter Review

The mission of the Ulster County Comptroller's Office is to serve as an independent agency of the people, to protect the public interest by monitoring County government and to assess and report on the degree to which its operation is economical, efficient and its financial condition sound.

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OFFICE OF THE COMPTROLLER

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Director of Internal Audit & Control

July 21, 2016

Dear County Officials:

The Office of the Ulster County Comptroller ("Office" or "Comptroller") has conducted a detailed review of the internal control items noted in the 2014 Management Letter. The attached report outlines the comments made, current status of those items and makes recommendations for improvement, if applicable.

The reports issued by this Office are an important component in accomplishing the development and promotion of short and long-term strategies to achieve reduced costs, to improve service delivery, and to account for and protect Ulster County's ("County") assets. These reports are expected to be a resource and are designed to identify current and emerging fiscally related problems and provide recommendations for improvement.

The Office of the Ulster County Comptroller conducted this audit and produced this Report in accordance with the Comptroller's authority, as set forth in Article IX, Section 57, first paragraph, and Sections 57(A) and (G) of the Ulster County Charter, as well as applicable State laws, rules and regulations.

If we can be of assistance to you, or if you have any questions concerning this Report, please feel free to contact us.

Respectfully submitted,

Ulster County Comptroller

Objectives

The objectives of our review were the following: (1) to investigate those comments made by the County's outside auditors, Drescher and Malecki LLP ("D&M"), in the 2014 Management Letter; and (2) to determine what steps, if any, have been taken by County leadership to address the aforementioned comments.

Scope

The scope of our review was limited to the comments included in the Management Letter dated September 24, 2015, which was provided to the Executive, Comptroller, and Legislature at the conclusion of the 2014 yearly audit of the County's Annual Financial Report.[1] We faced no scope limitations during the course of our work. The majority of our information was obtained through interviews with County leadership and the outside auditors engaged by the Ulster County Legislature, D&M.

Background

The Ulster County Legislature annually employs an outside CPA firm to conduct an audit of the County's financial statements, records, and accompanying disclosures. The purpose of this audit is to express an opinion as to whether the subject matter included in the documents is fairly presented in accordance with accounting procedures generally accepted in this country. Moreover, the outside auditors are required to perform this review according to generally accepted auditing standards, including those issued by the Comptroller General of the United States.

County management is responsible for the preparation of these financial statements, and the auditor's purpose is to evaluate the fairness of those representations – for which an opinion is issued at the conclusion of the audit. While the auditor will communicate any *deficiencies* in internal controls noted during the period that is tested, the purpose of the audit is not to evaluate the *effectiveness* of internal controls.[2]

Deficiencies in internal controls are typically broken into two categories: significant deficiencies and material weaknesses. A material weakness is defined as a deficiency or a combination of deficiencies in internal controls such that there is a reasonable possibility that a material misstatement exists in the financial statements that will not be prevented or

[1] *See* Appendix A for a complete copy of the Management Letter.
[2] *See gen* "Understanding a financial statement audit," by PwC (January 2013). Available at http://download.pwc.com/ie/pubs/2014-pwc-ireland-understanding-financial-statement-audit.pdf

detected by the controls in place.[3] A significant deficiency is less severe than a material weakness, yet is considered important enough to merit attention within the audit report.[4]

Often times, even though an auditor does not identify any material weakness or significant deficiency in internal controls, they may communicate other suggestions based on areas of concern that were noted for improvement during audit testing. These recommendations are typically included in a "Management Letter," provided in conjunction with the entity's annual audit report. A Management Letter addresses issues identified during the audit that were not required to be disclosed in the annual financial report. Typically, the Management Letter includes internal control related items that warrant additional consideration from a county's leadership, but are not serious enough to be classified as a significant deficiency or material weakness.[5]

While the items commented upon in the Management Letter have no bearing on the auditor's opinion as to the fairness of the financial statements, they indicate important internal control related matters that should be proactively addressed by a county's decision makers. If the items included in the Management Letter are not remedied, they may be more critically highlighted in later audits.

Ulster County's 2014 Management Letter listed the following items for further consideration – discussed at greater length in the Comments & Statuses section below – by County management at the conclusion of the 2014 Financial Statement audit testing:

- Fund Balance Policy;
- Planning for Infrastructure Costs;
- Revenue Recognition Policy;
- Capital Asset Policies;
- Information Technology ("IT") Controls; and
- New York State Department of Transportation ("DOT") Revenue Recognition.

Comments & Statuses

A. Fund Balance Policy

The letter first suggests that the County amend its fund balance policy to reflect certain Government Finance Officers Association's ("GFOA") recommendations relating to the rationale behind its calculation of reserve requirements. Those recommendations stress

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[3] *See gen* "Auditing Standard No. 5 – An Audit of Internal Control Over Financial Reporting that is Integrated with an Audit of Financial Statements (Appendix A – Definitions)," by Public Company Accounting Oversight Board. Available at https://pcaobus.org/Standards/Auditing/Pages/Auditing_Standard_5_Appendix_A.aspx

[4] *See* id.

[5] *See gen* "The Importance of Internal Control in Financial Reporting and Safeguarding Plan Assets," by American Institute of CPAs Employee Benefit Plan Audit Quality Center (2014). Available at http://www.aicpa.org/InterestAreas/EmployeeBenefitPlanAuditQuality/Resources/PlanAdvisories/DownloadableDocuments/Plan_AdvisoryInternalControl-hires.pdf

the application of several specific factors when developing a fund balance policy, including variations in revenues and expenditures, exposure to significant one-time expenditures, possible litigation costs, and liquidity concerns.[6]

Status

Fund balance is an important consideration for all governmental entities, as it is essential to maintain a sufficient level in order to mitigate current and future risks as they occur. A fund balance policy should involve an assessment of a government's available financial resources, as well as a determination as to what amount of funding is necessary for the entity to function amidst several scenarios requiring cash outlays or involving revenue shortfalls. When developing the appropriate guidelines, governments must consider a number of possible events – taking into account historical trends and future anticipations – to ensure they will be able to continue to reasonably operate and provide expected services to constituents.

The Ulster County Legislature adopted Resolution No. 36 of 2013 that established the fund balance policy.[7] It recognized the "generally accepted operating fund balance [as] 5%-10% of current operating expenditures" and that the "County [would] strive to maintain an unrestricted fund balance in this range at all times." According to our conversation with the Department of Finance ("DOF"), the County currently utilizes a policy in accordance with the New York State Comptroller's ("OSC") recommendation, which states that local governments should maintain a "'reasonable amount' of unappropriated unreserved fund balance [. . .] consistent with prudent budgeting practices, necessary to ensure the orderly operation of government and the continued provision of services."[8]

However, upon our review of the OSC recommendation, we noted that it outlines similar factors suggested by the GFOA – especially regarding a determination of what constitutes a "reasonable amount" when developing an adequate fund balance policy. The State Comptroller lists the following factors to consider when assessing what is "reasonable" given your local government's "particular situation":[9]

- Timing of receipts and disbursements;

[6] *See* "Appropriate Level of Unrestricted Fund Balance in the General Fund," by Government Finance Officers Association (September 2015). Available at http://www.gfoa.org/appropriate-level-unrestricted-fund-balance-general-fund

[7] *See* "Resolution No. 36: Adopting the Ulster County Fund Balance Policy – Governmental Accounting Standards Board Pronouncement No. 54 – Financial Stabilization," adopted by the Ulster County Legislature (February 19, 2013). Available at http://ulstercountyny.gov/sites/default/files/documents/36-13.pdf; *See also* "Fund Balance Policy," by the County of Ulster, New York. Available at http://ulstercountyny.gov/sites/default/files/documents/FundBalancePolicy.pdf

[8] *See* "July 2001: Budgeting and Fund Balance Legislation Bulletin Issued to County, City, Town, Village, and Fire District Chief Executive and Fiscal Officers," by the Office of the New York State Comptroller. Available at http://www.osc.state.ny.us/localgov/pubs/releases/budfund.htm

[9] *See* id.

- Volatility of revenues and expenditures;
- Contingency appropriations; and
- Established reserves.

As of now, the County policy does not fully address these risk factors within the implementation of the 5-10% threshold. The policy bases the fund balance level off of *current* County expenditures, which does not entirely take into consideration the *fluctuation* of those expenditures. Further, the present policy fails to wholly focus on possible variations in revenue streams, possible one time expenditures related to legal claims, or contingency appropriations as suggested by the OSC. While the County retains a substantial fund balance, its approach should be more acutely defined to encompass a broader range of sudden financial events.

B. Planning for Infrastructure Costs

D&M called attention to the need for increased investment into County infrastructure. Using calculations based on the estimated cost of the County's current capital assets and a general useful life of 20 years, the outside auditors suggested the County invest at least $15 million annually into buildings and other infrastructure. The auditors further recommended that the County follow GFOA guidance in developing a policy for the evaluation and financing of the County's capital assets.[10]

Status

Based on our discussion with the County's Budget Director, leadership plans to annually invest $10 million toward infrastructure projects for 2015 and 2016 under the "Building a Better Ulster County" initiative. Given this substantial sum and assuming the amount remains at a comparable level after 2016, we commend the County for its strong dedication to this area. While D&M's comment acknowledges the possible limitations of the State's property tax cap in budgeting for a larger figure, overriding the cap for these purposes is a deeply politicized endeavor with tangible, fiscal effects on the community that cannot be ignored. We understand the difficulties all counties face in balancing infrastructure costs with the economic realities of remaining below the property tax cap, but our ability to raise and dedicate revenue is a direct extension of the public will for these types of concerns. Although our capital assessment practices could perhaps incorporate more aspects of the guidance presented by GFOA, we cannot simply devote millions of extra dollars to this field without accepting that other areas of need funded by the County may go underfinanced.

C. Revenue Recognition Policy

The letter suggested that the County formalize revenue recognition procedures to determine an appropriate cut-off point in accordance with the modified accrual basis of accounting. Generally Accepted Accounting Principles ("GAAP") establish that the basis of

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[10] *See* "Asset Maintenance and Replacement," by Government Finance Officers Association (March 2010). Available at http://www.gfoa.org/asset-maintenance-and-replacement

accounting varies with the fund type category. Under the modified accrual basis of accounting, revenues for all governmental funds should be recognized when they are considered both measurable and available.[11] The Management Letter states that the County has instituted a cut-off of 60 days for revenues from property taxes, yet recognizes all other revenues collected for a period of 365 days.

Status

Discussion with the Commissioner of Finance informed us that the County does currently utilize the modified accrual basis of accounting. The Commissioner added that during the department's discussions with D&M concerning the Management Letter items presented, they expressed disagreement with this comment.

This comment is of particular importance largely because OSC requires the use of modified accrual accounting for reporting revenues in all governmental funds. If no policy is adopted establishing the period of availability for the recognition of all revenues in governmental funds, this comment will likely be elevated to a significant deficiency in future audits.

D. Capital Asset Policies

The Management Letter advised the County to amend its capital asset policy to reflect updated useful lives and depreciation methods for County assets. The letter further suggested the policy include construction in progress items and the method by which the County will indicate that a project is completed and subject to capitalization and depreciation in the financial statements.

Additionally, D&M noted during the 2014 financial statement review that there were no deletions made to County capital assets with the exception of roads. Therefore, the auditors urged DOF to initiate a policy to review County asset inventory annually for any deletions made during the year.

Status

Resolution No. 107 of 2016 was adopted by the Ulster County Legislature, which established a new capital asset policy for the County.[12] The improved policy does reflect the updated useful lives and depreciation methods of County assets, but does not appear to address construction in progress or develop a new policy for recording deletions. Additionally, more detail relating to communication and

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[11] *See gen* "The User's Perspective – Touring the Financial Statements, Part III: The Governmental Funds," by Governmental Accounting Standards Board (November 2007). Available at http://www.gasb.org/cs/ContentServer?pagename=GASB/GASBContent_C/UsersArticlePage&cid=1176156735732

[12] *See* "Resolution No. 107: Amending the Ulster County Capital Asset Policy," adopted by the Ulster County Legislature (February 16, 2016). Available at http://ulstercountyny.gov/sites/default/files/107-16_2.pdf; *See also* "Capital Asset Policies," by Ulster County, New York. Available at http://ulstercountyny.gov/sites/default/files/Res.%20No.%20107%20-%20BACKUP%20-%20Ulster%20County%20Capital%20Asset%20Policies%20-%20DRAFT.pdf

coordination among the departments, including Finance and Purchasing, should be displayed regarding the accurate representation of disposed assets.

E. Information Technology ("IT") Controls

D&M noted in the Management Letter that the County does not have a formalized business continuity plan, leaving it susceptible to a loss of data and an inability to efficiently operate in case of disaster. Further, the County's backup policy does not require the testing of the standby data maintained to ensure that backup procedures and information are functioning properly or saved accurately should they be needed.

Status

The development of a business continuity plan is an essential internal control for any unit of government. A plan should recognize and assess possible threats and risks that could affect the County's ability to operate in the wake of an emergency situation. The draft plan we reviewed included measures to protect both the County's physical and electronic records should the County be faced with a variety of natural and manmade disasters, including fires, storms, floods, and roof leaks among others. The overarching goal of the plan is to detail the step-by-step actions that County officials would need to take should a hazard present itself, which would allow the County to continue to operate and perform its responsibilities.

The Comptroller's Office determined that the auditors were provided a business continuity plan that was initiated in 2012. However, it appears the plan was neither completed in its entirety nor formally adopted and promulgated by the County. While the majority of the plan has been developed, essential contacts, personnel, first responder, and other key information is missing or has not been updated to reflect staffing changes or turnover since 2012. Further, the plan has not been formally ratified by the County Legislature or disseminated to the appropriate County employees. During the course of this report, the Director of Information Services provided us with a draft "Financial System Technical Document" that seeks to address some of the auditors' concerns regarding backup frequency and testing. However, the aforementioned document has not been formally incorporated into the plan, and there are no immediate intentions to finalize and adopt the plan itself.

According to documentation in the County's financial system from 2012, the County paid $38,850 to an outside firm for a number of deliverables that included the development of a business continuity plan. However, this initiative was never fully finished and remains outstanding four years later, leaving the County in a precarious situation and susceptible to grave loss should a disaster strike. At this point, the accuracy and applicability of the plan could be questioned, as the County has undergone several major software changes, including a new financial system.

F. *New York State Department of Transportation ("DOT") Revenue Recognition*

The final comment in the Management Letter addressed inappropriate cutoff periods used for DOT revenue, which acknowledged the recording of 2013 fourth quarter claims in the 2014 fiscal year.

Status
We understand that this comment relates to an inadvertent error, which has been corrected. We are under the impression that appropriate procedures have been established to prevent this issue from occurring in the future.

Conclusion

At the end of our review, we determined that several areas in need of attention and improvement remain. It is paramount that leadership carefully considers those items communicated by D&M and addresses those concerns wherever possible to proactively confront any weaknesses in internal controls identified by the outside auditors.

Specifically, the County should update those policies noted in the letter that are in need of improvement to ensure that the County is in compliance with OSC guidance. Further, some simple policy modifications could provide significant enhancements to the County's current procedures for accounting for County assets and revenues, as well as the establishment of fund balance in accordance with State guidance.

Lastly, and possibly most importantly, the County should take whatever steps necessary to implement a complete and effective business continuity plan as soon as possible in order to protect the County in case of disaster. It is troubling to note that the County has expended considerable time and money in developing these procedures, yet is still readily exposed to loss and a general inability to operate – at a time when services and information are likely most needed by constituents – due to an incomplete and unconfirmed master document.

Appendix A

Management Letter (September 24, 2015) by Drescher & Malecki LLP

Drescher & Malecki LLP
3083 William Street, Suite 5
Cheektowaga, New York 14227
Telephone: 716.565.2299
Fax: 716.565.2201

Certified Public Accountants

September 24, 2015

Honorable County Executive
Honorable County Comptroller
Honorable Members of the County Legislature
County of Ulster, New York:

In planning and performing our audit of the basic financial statements of the County of Ulster, New York (the "County") as of and for the year ended December 31, 2014, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the County's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expression an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Our audit was also not designed to identify deficiencies in internal control that might be significant deficiencies. 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 communicated a significant deficiency identified during our audit in a separate communication dated September 24, 2015.

Additionally, during our audit we identified certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated September 24, 2015 on the financial statements of the County. Our comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. Our comments are summarized in Exhibit I.

We also summarized new reporting requirements in Appendix A. These should be evaluated to determine the extent the County will be impacted in the future years.

The purpose of this communication, which is an integral part of our audit, is to describe for management and those charged with governance the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

Drescher & Malecki LLP

September 24, 2015

Level of Fund Balance Policy

Fund balance, also referred to as reserves, provides the County with the ability to respond to unexpected issues and to maintain stable tax rates. Fund balance provides the necessary resources to respond to unexpected issues – weather related disasters, infrastructure breakdowns, other emergency expenditures, revenue shortfalls, etc. It also provides for cash flow needs until major revenues are received. Real property taxes are not due until forty-five days after year end and the receipt of other revenues such as state aid and sales tax have substantial lag factors. Possessing adequate cash reserves reduces or eliminates the need for cash flow borrowing.

While reserves are usually viewed favorably by investors, rating agencies, and local banks with which the County does business, opposing pressures often come from unions and taxpayer groups. The level of fund balance is and will continue to be a critical component of the County's future.

As a means to keep municipalities more focused on providing structural balance in their operations, with less dependence on one-time reserves, and to minimize political considerations of adequate reserve levels, many, including the Government Finance Officers Association (the "GFOA") recommend that governments establish a formal policy on the level of unrestricted fund balance that should be maintained in the General Fund. The GFOA recommends that this formal fund balance policy be set by the appropriate policy body.

While the County has implemented a fund balance policy, the policy should include the rationale utilized to establish the appropriate level of unrestricted fund balance to be maintained. The GFOA states that the adequacy of unrestricted fund balance in the General Fund should be assessed based upon the County's own specific circumstances. Risk factors such as the predictability of future revenues, the volatility of expenditures, exposure to significant one-time outlays (disasters, immediate capital needs, state budget cuts), legal claims and liquidity concerns need to be considered when developing such a policy.

As noted above, calculating a reserve requires consideration of the County's risk factors. Therefore, it is necessary to estimate highly uncertain events like natural disasters and economic downturns. To develop an adequate response the GFOA incorporates the "Triple A" (1) approach. That approach utilizes the following guidance:

- **Accept.** First, the County must accept that we are subject to uncertainty, including events that they haven't even imagined.
- **Assess.** Next, the County must assess the potential impact of uncertainty. Historical reference cases are a useful baseline.
- **Augment.** The range of uncertainty the County really faces will almost always be greater than they assess it to be, so they should augment that range. Historical reference cases provide a baseline, but that baseline may not be adequate to account for all future possibilities.

We recommend that the County act on the GFOA's recommendation to formally assess its financial risks and cash flow needs, analyze and quantify those risks and needs, and incorporate its findings into a formal policy outlining the level of fund balance in the County's General Fund.

Planning for Infrastructure Costs

The County has recorded capital assets at their cost of acquisition totaling $305,057,075. The majority of this investment represents buildings and infrastructure type assets. It is important to note that the replacement value of these assets is significantly higher than the original cost.

The GFOA acknowledges that:

> "…budgetary pressures often impede capital program expenditures or investments for maintenance and replacement, making it increasingly difficult to sustain the asset in a condition necessary to provide expected service levels. Ultimately, deferring essential maintenance or asset replacement could reduce the organizations ability to provide services and could threaten public health, safety and overall quality of life. In addition, as the physical condition of the asset declines, deferring maintenance and/or replacement could increase long-term costs and liabilities."

As noted in a recent Office of the New York State Comptroller report, New York State municipalities are spending less than a third of what is necessary to keep up with deteriorating assets. The report refers to a recent study that cites 48% of local roads were estimated to be in poor to fair condition and that more than one-third of local bridges were rated as deficient. Competing needs for operations and infrastructure continue to represent significant challenges. The Comptroller's report cites that certain municipalities point to their desire to comply with the tax cap as preventing them from adequately investing into their infrastructure as the revenue needed to fund the projects cannot be raised while complying with the tax cap.

Based on the County's current inventory of capital assets, without regard to the increased cost of replacement, assuming a 20 year average asset life, the County should be reinvesting over $15 million per year into its buildings and infrastructure.

We note the County has been reinvesting into its capital assets and has initiated the $10 million "Building a Better Ulster County" in their 2015 budget. However, based on the financial significance of future capital asset reinvestment coupled with the political pressure of the State's tax cap, we recommend that the County develop a system consistent with GFOA's recommended practice to establish a system for assessing their assets and then appropriately plan and budget for any capital and replacement needs. While the tax cap is certainly a consideration in budgeting for capital and replacement needs, it should not be a deterrent.

GFOA guidance includes the following:

- Developing a policy to require a complete inventory and periodic measurement of the physical condition of all existing capital assets.
- Establishing condition/functional performance standards to be maintained for each type of capital asset.
- Evaluating existing assets to determine if they still provide the most appropriate method to deliver services.

- Allocating sufficient funds in the multi-year capital plan and annual operations budget for condition assessment, preventative maintenance, repair and replacement of capital assets in order to continue the provision of services that contribute to public health, safety, and quality of life of the public.
- Monitoring and communicating progress toward stated goals and the overall condition of the County's capital assets.
- At least every one to three years, providing a plain language Report on Capital Facilities to elected officials and made available to the general public.

Revenue Recognition Policy

Under the modified accrual basis of accounting, revenue is recognized as soon as it is both measurable and available. Available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Currently, the County follows the practice of cutting off revenues for property taxes at 60 days. However, all other revenues continue to be recognized for a period of 365 days.

We recommend that the County formalize revenue recognition procedures to determine a cut-off point for revenue recognition in accordance with modified accrual accounting. The Finance Department has considered the recommendation and is currently developing a policy to address the aforementioned comments.

Capital Asset Policies

During our review of the County's capital assets, we noted that there were no deletions in the current year or the prior year, with the exception of roads. We also noted that the County capitalized a significant amount of construction in progress projects during the year, several of which appeared to have been completed in prior years. Additionally, with the implementation of new accounting software, the County's method of depreciation has changed, but the capital asset policy has not yet been updated to reflect this change.

We recommend that the County implement policies and procedures to contact departments annually and perform a review for assets that have been deleted during the year. Additionally, we recommend that the County review its capital asset policy to reflect updated useful lives of capital assets as well as the depreciation methods that are used. In addition, the policy should be updated to address construction in progress. This should include a method to indicate that a project has been completed and is ready to be capitalized and depreciated.

Information Technology ("IT") Controls

While gaining an understanding of the County's IT environment, we noted that the County does not have formalized disaster recovery plan. The lack of a disaster recovery plan leaves the County susceptible to a loss of data and inability to operate if there is an extraordinary event that damages their current system. Additionally, it was noted that the County's backup policy does not require testing of backups for accuracy. This will ensure that the backup procedures that the County is performing are functioning as intended. We recommend that the County formalize the aforementioned procedures.

New York State Department of Transportation ("DOT") Revenue Recognition

While performing procedures over New York State DOT funds, we noted that the County recognized revenue associated with 2013 fourth quarter claims in the 2014 fiscal year. We recommend that the County review all claims sent to New York State for cutoff and to determine what period the claims are related to for reporting.

Endnotes:

(1)The Triple-A approach is adapted from: Spyros Makridakis, Robin Hogarth, and Anil Gaba. Dance with Chance: Making Luck Work for You (Oneworld Publications: Oxford, England, 2009).

NEW REPORTING REQUIREMENTS

The Governmental Accounting Standards Board ("GASB") has adopted several new pronouncements, which may have a future impact upon the County:

GASB Statement No. 68—The County is required to implement GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, effective for the fiscal year ending December 31, 2015. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions.

***GASB Statement No. 71*—**The County is required to implement GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The provisions of this Statement should be applied simultaneously with the provisions of Statement 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions.* The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

***GASB Statement No. 72*—**The County is required to implement GASB Statement No. 72, *Fair Value Measurement and Application*, effective for the fiscal year ending December 31, 2016. The objective of this Statement is to provide guidance for determining the fair value measurement for financial reporting purposes and for disclosures related to all fair value measurements.

GASB Statement No. 73—The County is required to implement GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68*, effective for fiscal year ending December 31, 2016. The requirements of this Statement establish new reporting requirements for those pensions and pension plans that are not administered through a trust meeting the requirements of GASB Statements No. 67 and 68.

***GASB Statement No. 74*—**The County is required to implement GASB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans*, effective for the fiscal year ending December 31, 2017. The requirements of this Statement address the financial reports of defined benefit OPEB plans that are administered through trusts that meet certain criteria. This Statement replaces GASB Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans*.

***GASB Statement No. 75*—**The County is required to implement GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*, effective for the fiscal year ending December 31, 2018. This Statement replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions*, and will require more extensive note disclosures and required supplementary information about their OPEB liabilities.

GASB Statement No. 76—The County is required to implement GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for the fiscal year ending December 31, 2016. This Statement supersedes GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles.

GASB Statement No. 77—The County is required to implement GASB Statement No. 76, *Tax Abatement Disclosures*, effective for the fiscal year ending December 31, 2016. This Statement requires governments that enter into 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.