

July 27, 2022

CONFIDENTIAL

Chairman and Members of the Lewis
County Board of Legislators
County of Lewis, New York:

We have completed our audit of the financial statements of the County of Lewis, New York (the County) for the year ended December 31, 2021. Considering the test character of our audit, you will appreciate that reliance must be placed on adequate methods of internal control as your principal safeguard against irregularities which a test examination may not disclose. We now present for your consideration our comments and recommendations based upon observations made during our audit.

This report is intended solely for the information and use of the Board of Legislators, management and others within the County.

Accounting for Leases

Under current guidance, leases are classified as either capital or operating depending on whether the lease meets any of four tests. In many cases, this results in reporting lease transactions differently than similar nonlease financing transactions.

Governmental Accounting Standards Board (GASB) Statement No. 87 - "Leases," which becomes effective for the County's fiscal year beginning January 1, 2022, requires 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.

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

Chairman and Members of the Lewis
County Board of Legislators
County of Lewis, New York:
Page 2

We recommend that the County gain an understanding of this Statement, develop a plan to fully review all current lease agreements, and to document the accounting treatment of each lease under this Statement to minimize any difficulties at the time of implementation. Proper documentation will also assist in the accounting and reporting for future periods.

Status of Prior Year Recommendation

We reviewed the disposition of the recommendation included in our letter dated June 10, 2021. The following is a summary of the action taken by the County with regard to our recommendation.

Net Pension Liability Allocation

GASB Statement No. 68 - "Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27," requires the County to report their portion of the New York State Local Employees' Retirement System pension liability, as well as related deferred inflows and deferred outflows of resources (collectively "the liability") on the County's financial statements. The liability is to be allocated among the Hospital, the Solid Waste fund, and the governmental activities. The Hospital has different auditors than the Solid Waste fund and the government activities which are audited as part of the County audit. It has been noted that the liability did not equal the liability determined by New York State when the Hospital, the Solid Waste fund and the governmental activities were totaled. The difference was allocated to the governmental activities instead of the County Treasurer determined allocation. We recommended that the Hospital, the Solid Waste fund and the governmental activities use the County Treasurer determined allocation as the County Treasurer is the Chief Fiscal Officer of the County. The Hospital, the Solid Waste fund and the governmental activities used the County Treasurer's allocation for the year ended December 31, 2021. This issue is considered resolved.

* * * * *

We take this opportunity to thank the staff of the County of Lewis, New York for the courtesy and cooperation extended to us during the audit. If you have any questions regarding the foregoing comments or wish any assistance in their implementation, please contact us at your convenience.

Very truly yours,

EFPR Group, CPAs, PLLC

EFPR GROUP, CPAs, PLLC