

COUNTY OF TIOGA

Owego, New York

FINANCIAL REPORT

December 31, 2009

COUNTY OF TIOGA
FOR THE YEAR ENDED DECEMBER 31, 2009

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Tioga (the County), as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Tioga Tobacco Asset Securitization Corporation, or the Tioga County Industrial Development Agency. The financial statements of the Tioga Tobacco Asset Securitization Corporation and the Tioga County Industrial Development Agency were audited by other auditors whose reports, issued in accordance with auditing standards generally accepted in the United States of America, have been furnished to us. Our opinions, insofar as they relate to the amounts included in the Tioga Tobacco Asset Securitization Corporation and the Tioga County Industrial Development Agency, are based on the reports of the other auditors. The Tioga Tobacco Asset Securitization Corporation represents 1.8% and 1.2% respectively, of the assets and revenues of the Governmental Activities. The Tioga County Soil and Water Conservation District and the County of Tioga Industrial Development Agency represent 22.1% and 77.9%; and 63.2% and 36.8%, respectively, of the assets and revenues of the discretely presented component units. The financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

The financial statements of the Tioga County Soil and Water Conservation District have not been audited, and we were not engaged to audit the Tioga County Soil and Water Conservation District as part of our audit of the County of Tioga. The Tioga County Soil and Water Conservation District's financial activities are included in the County's financial statements as a discretely presented component unit.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Tioga County Soil and Water Conservation District's financial statements been audited, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of December 31, 2009 and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2010, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 2 through 2i and 38 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Cinchi, DiCicco, Little, Mickelson & Co., LLP

September 10, 2010
Ithaca, New York

COUNTY OF TIOGA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009

Our discussion and analysis of the County of Tioga's (the County) financial performance provides an overview of the County's financial activities for the fiscal year ended December 31, 2009. Please read this information in conjunction with the County's financial statements, which begin on page 3.

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$45,864,136 (net assets) compared to \$47,791,981 in 2008, as restated. Reasons for the decrease included the required recognition of other postemployment benefits, offset by investment in capital assets and payment of bond principal.
- Of total net assets, \$5,326,457 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of December 31, 2009, the County's Governmental Funds reported combined fund balances of \$18,387,411. Approximately 87.4% of the combined fund balances, or \$16,081,460, is available to meet the County's current and future needs (unreserved fund balance).
- The General Fund ended the year with a fund balance of \$10,622,526. Of this, \$1,214,855 is in reserved fund balance and \$3,800,000 is designated for subsequent year's expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of basic financial statements. The Statement of Net Assets and the Statement of Activities (on pages 3 through 4a) provide information about the County as a whole and present a longer-term view of the County's finances. Governmental Fund financial statements start on page 5. For Governmental Activities, these statements tell how these services were financed in the short term, as well as what remains for future spending. Governmental Fund financial statements also report the County's operations in more detail than the Government-wide financial statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside the government. Following these statements are notes that provide additional information that is essential to a full understanding of the data provided in the financial statements.

In addition to the basic financial statements, the annual report contains other information in the form of: (1) combining schedules for those funds that are not considered Major Funds and, therefore, are not presented individually in the basic financial statements, and (2) a budgetary comparison schedule for the General Fund.

Reporting the County as a Whole

Analysis of the County as a whole begins on page 3, with the Government-wide financial statements. The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer the question of whether the County, as a whole, is better off or worse off as a result of the year's activities. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

COUNTY OF TIOGA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

These two statements report the County's net assets and changes in them. The County's net assets, the difference between assets and liabilities, are one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. One needs to consider other non-financial factors, however, such as changes in the County's property tax base and the condition of the County's roads, to assess the overall health of the County.

In the Statement of Net Assets and the Statement of Activities, the County is separated into two kinds of activities:

Governmental Activities: Most of the County's services are reported in this category, including public safety, public health, economic assistance, transportation, and general administration. Property and sales taxes, and state and federal grants finance most of these activities.

Component Units: The County includes three separate legal entities in its report - the Tioga Tobacco Asset Securitization Corporation, the Tioga Soil and Water Conservation District and Tioga County Industrial Development Agency. Although legally separate, these component units are important because the County is financially accountable for them. The Tobacco Asset Securitization Corporation is reported as a blended component unit. The Soil and Water Conservation District and the Industrial Development Agency are reported as discrete component units. Complete financial statements for the Tioga Tobacco Asset Securitization Corporation and the Tioga County Industrial Development Agency can be obtained from their administrative offices at 56 Main Street, Owego, New York 13827. Financial statements for the Tioga Soil and Water Conservation District can be obtained from their administrative office at 183 Corporate Drive, Owego, New York 13827.

Reporting the County's Most Significant Funds

Fund Financial Statements

Analysis of the County's Major Funds begins on page 5. The Governmental Fund financial statements provide detailed information about the most significant funds - not the County as a whole. Some funds are required to be established by State law. However, management establishes many other funds to help it control and manage money for particular purposes or to show it is meeting legal responsibilities for using certain taxes and grants. The County's three kinds of funds - Governmental, Proprietary and Fiduciary - use different accounting approaches.

Governmental Funds: All of the County's services are reported in the Governmental Funds which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called *modified accrual accounting* which measures cash and all other financial assets that can be readily converted to cash. The Governmental Fund statements provide a detailed short-term view of the County's general governmental operations and the basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. The relationship (or differences) between Governmental *Activities* (reported in the Government-wide financial statements) and Governmental *Funds* is explained in a reconciliation following the fund financial statements.

Proprietary Funds: When the County charges customers for the services it provides - whether to outside customers or to other units of the County - these services are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. Internal Service Funds (a component of Proprietary Funds) are used to report activities that provide supplies and services for the County's other programs and activities such as the administration of workers' compensation obligations.

COUNTY OF TIOGA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

The County as Trustee: The County is the trustee, or fiduciary, for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 12. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE COUNTY AS A WHOLE

The County's net assets for fiscal year ended December 31, 2009 decreased \$(1,927,845), from \$47,791,981 to \$45,864,136. In contrast, last year net assets decreased by \$(4,860,054).

The largest portion of the County's net assets of \$38,687,024 (84.4%) reflects its investment in capital assets (e.g. land, buildings, machinery & equipment and infrastructure) less any related debt used to acquire those assets still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided by other sources, as the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the County's net assets of \$1,850,655 (4.0%) represents resources that are subject to external restrictions on how they may be used and are reported as restricted net assets. These net assets consist of \$775,969 for debt service payments, \$939,541 for community development, and \$135,145 for grants from State and Federal agencies.

The remaining category of total net assets, unrestricted net assets of \$5,326,457 (11.6%) may be used to meet the government's ongoing obligations and services to creditors and citizens.

Our analysis below focuses on the net assets (Figure 1), and changes in net assets (Figure 2), of the County's Governmental Activities. See Note 6 to the financial statements for details of the restatement of 2008 net assets.

Figure 1 - Net Assets

| | Governmental Activities | | Percent Change |
|--|--------------------------------|----------------------|-----------------------|
| | 2008 Restated | 2009 | 2008 - 2009 |
| <i>Current assets</i> | \$ 31,777,598 | \$ 34,041,759 | 7.1% |
| <i>Capital assets, net</i> | 56,748,306 | 57,129,510 | 1.5% |
| <i>Other noncurrent assets</i> | 1,375,439 | 1,301,456 | -5.4% |
| Total Assets | 89,901,343 | 92,472,725 | 3.4% |
| <i>Current liabilities</i> | 13,639,766 | 13,395,414 | -0.7% |
| <i>Noncurrent liabilities</i> | 28,469,596 | 33,213,175 | 16.7% |
| Total Liabilities | 42,109,362 | 46,608,589 | 11.0% |
| <i>Invested in capital assets, net of debt</i> | 38,143,461 | 38,687,024 | 1.4% |
| <i>Restricted net assets</i> | 1,500,067 | 1,850,655 | 23.4% |
| <i>Unrestricted net assets</i> | 8,148,453 | 5,326,457 | -34.6% |
| Total Net Assets | \$ 47,791,981 | \$ 45,864,136 | -4.0% |

Current assets showed an increase of \$2,264,161, primarily due to the timing of payments and receipts. Capital assets, net of accumulated depreciation, of \$57,129,510 at December 31, 2009 increased by \$381,204, primarily a result of transportation projects. The detail of capital assets, including the current year activity, is disclosed in the notes to the financial statements.

COUNTY OF TIOGA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

The decrease in current liabilities is primarily due to timing. The change in noncurrent liabilities reflects the increase in other postemployment liability of \$5,539,466.

The change in the amount invested in capital assets, net of related debt, is due to the change in capital assets, and debt associated therewith, offset by the change in unspent bond proceeds.

The County's total revenues increased by 3.1%, while the total cost of all programs and services decreased .09%, in spite of the addition of the other postemployment benefits liability (OPEB) noted above. Our analysis in Figure 2 considers the operations of Governmental Activities.

Figure 2 - Changes in Net Assets

| | Governmental Activities | | Percent Change |
|-------------------------------------|--------------------------------|-----------------------|-----------------------|
| | 2008 | 2009 | 2008 - 2009 |
| REVENUES | | | |
| <i>Program Revenues:</i> | | | |
| Charges for services | \$ 12,232,287 | \$ 12,672,822 | 3.6% |
| Operating grants and contributions | 15,698,286 | 18,964,524 | 20.8% |
| Capital grants and contributions | 2,543,634 | 2,060,165 | -19.0% |
| <i>General Revenues:</i> | | | |
| Property taxes and tax items | 20,703,987 | 21,926,524 | 5.9% |
| Sales and other taxes | 19,030,794 | 17,997,657 | -5.4% |
| Tobacco settlement | 872,187 | 725,834 | -16.8% |
| Use of money and property | 587,769 | 166,260 | -71.7% |
| Other | 583,972 | 12,878 | -97.8% |
| Total Revenues | \$ 72,252,916 | \$ 74,526,664 | 3.1% |
| PROGRAM EXPENSES | | | |
| General government | 18,391,428 | 15,909,352 | -13.5% |
| Education | 4,542,975 | 5,208,337 | 14.6% |
| Public safety | 11,097,935 | 11,241,457 | 1.3% |
| Public health | 10,374,741 | 10,517,050 | 1.4% |
| Transportation | 6,197,565 | 6,167,957 | -0.05% |
| Economic assistance and opportunity | 23,301,286 | 23,771,514 | 2.0% |
| Culture and recreation | 234,024 | 252,693 | 8.0% |
| Home and community | 1,935,836 | 2,366,623 | 22.3% |
| Interest on debt | 1,037,180 | 1,019,526 | -1.7% |
| Total Expenses | \$ 77,112,970 | \$ 76,454,509 | -0.09% |
| INCREASE IN NET ASSETS | \$ (4,860,054) | \$ (1,927,845) | 60.3% |

COUNTY OF TIOGA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

Governmental Activities

Revenues

- Charges for services increased 3.6% primarily due to an increase in General Government of over \$240,000; primarily for check fees. Public Health saw an increase of \$350,000; primarily for home nursing fees.
- Operating grants increased over \$3.1 million in 2009 from the prior year, due largely in part to an increase in Public and Economic Assistance Federal Aid ARRA revenue as well as an increase in Department of Social Service clients.
- Capital grants declined from 2008 by 19.0%. This decline is primarily due to the completion of capital projects and no new capital projects.
- Property tax and tax items increased approximately 5.9%; This gain was due to gas lease signing of over \$0.8 million in 2009.
- The majority of non-property tax items are sales and use taxes; showing a decrease of just over \$1 million in 2009.
- The decrease in use of money and property revenue, most of which is interest earnings, reflects the lower interest rates which occurred in the last half of 2008 and stayed consistently low in 2009.
- Miscellaneous revenue decreased largely due to a loss on the disposal of infrastructure assets of \$444,396. The remaining decrease is due to a change in the Video Lottery Terminal revenue allocation made by NYS legislation in 2008. This change reduced the counties allotment by 39%.

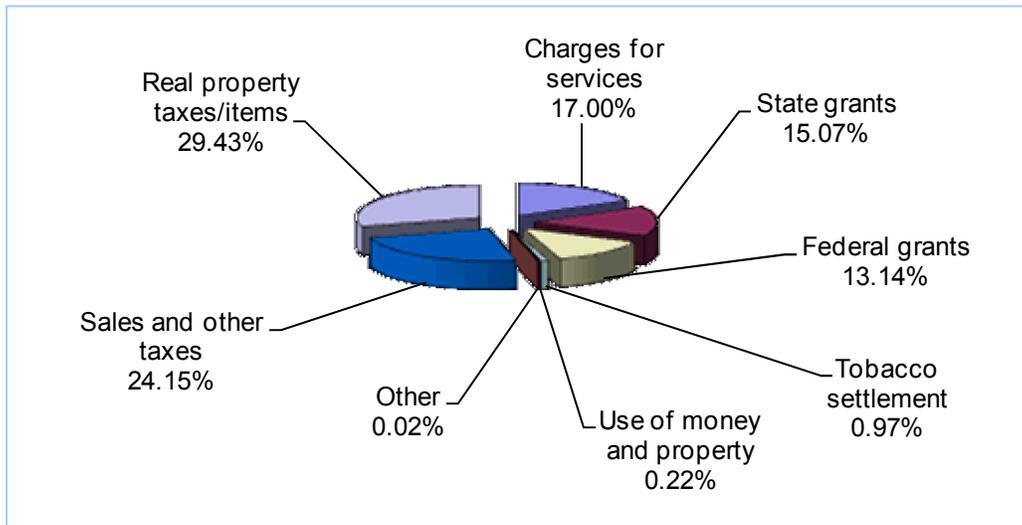
Expenses

- General government expenses decreased by approximately \$2.4 million. This decrease is due to a decrease in sales tax distributions, building maintenance and a change in the estimate of self insurance liabilities.
- The increase in Education of Handicapped Children expense of over \$0.9 million is due to an increase in demand for services.
- Home and community service was higher in 2009 due to an increase in all accounts under Home and Community.
- Interest on debt decreased by 1.7% due to lower interest on the Public Safety Bonds and the interest on the TTASC's capital appreciation bonds.

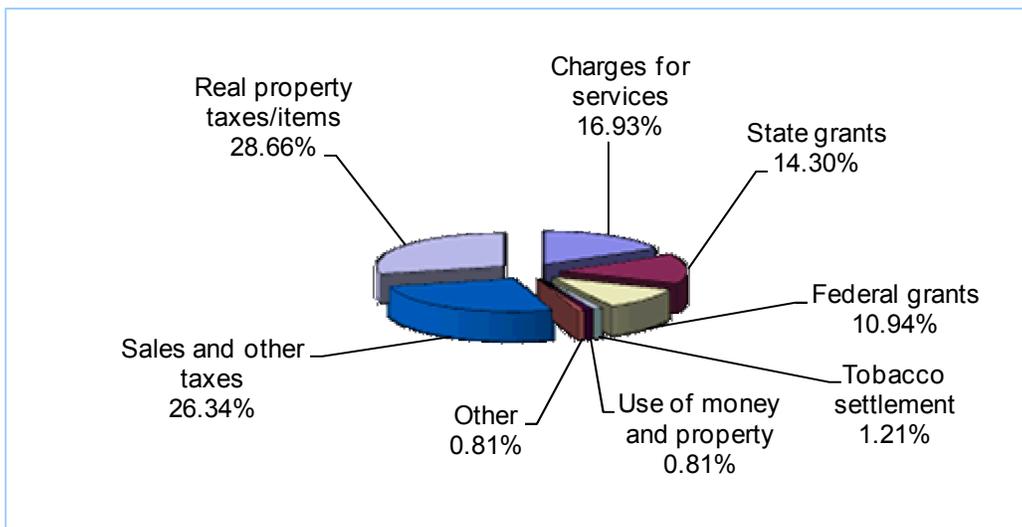
COUNTY OF TIOGA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2009

Figures 3 and 4 show the percent of the sources of revenues for 2009 and 2008.

**Figure 3 - Revenue by Source
Governmental Activities
2009**

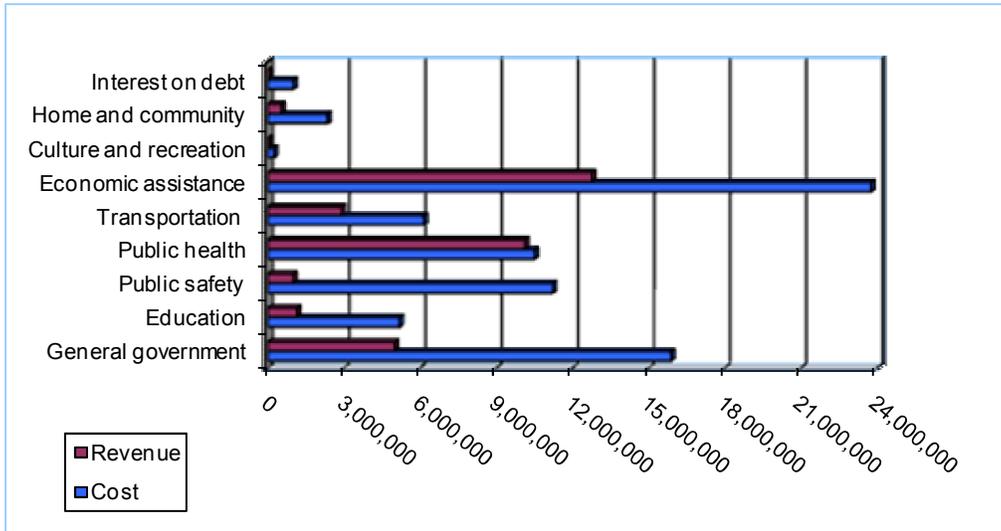


**Figure 4 - Revenue by Source
Governmental Activities
2008**

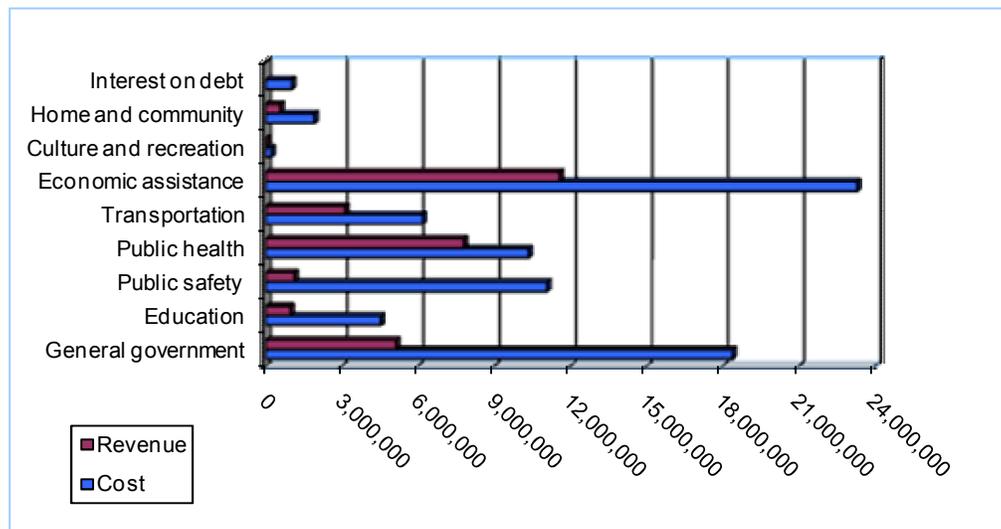


COUNTY OF TIOGA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2009

**Figure 5 - Net Program Cost
 Governmental Activities
 2009**



**Figure 6 - Net Program Cost
 Governmental Activities
 2008**



COUNTY OF TIOGA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

THE COUNTY'S FUNDS

Governmental Funds

The focus of the County's Governmental Funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in analyzing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the County's net resources available for spending at the end of year or funds available for appropriation in the subsequent year to reduce the County tax levy.

As of December 31, 2009, the County's operating fund, the General Fund, reported a fund balance of \$10,622,526, compared with the prior year's fund balance of \$10,891,622, as restated; a decrease of \$(269,096). Fund balance in the General Fund includes unreserved, undesignated, fund balance of \$5,607,671, which is available for spending at management's discretion. The County has designated \$3,800,000 of the total fund balance for 2009 budget appropriations. The remainder of the fund balance is reserved to indicate it is not available for spending, because it is primarily committed to encumbrances of \$544,900 and other purposes of \$669,955. The County's Non-Major Governmental Funds reported fund balances of \$7,764,885, compared with a prior year fund balance of \$5,903,950, an increase of \$1,860,935 from the prior year. This increase included net spending of \$4,226,178 for capital projects.

General Fund Budgetary Highlights

For 2009, actual expenditures in the General Fund were \$4.3 million or 6.7% lower than the revised budget, while actual revenues were \$0.26 million, or 0.4% lower than the revised revenue estimate. The General Fund budget was increased by approximately \$3.4 million during the year to \$70.2 million. The increases were due primarily to debt service principal and interest payments as well as an increase in education expenditures.

Real Property taxes and tax items revenue was approximately \$20.6 million in 2009, which was \$32,529 less than budgeted. The County, at December 31, 2009, had a maximum taxing power of \$38,191,086. Non-property tax revenues were approximately \$16.9 million in 2009, \$1.2 million higher than budgeted. The largest appropriation variances were in public health, with expenditures of \$7.3 million and under budget by \$1 million and general government, with expenditures of \$9.9 million and under budget by \$1 million. Employee benefits were approximately \$8.7 million in 2009, \$.9 million lower than budgeted, while public safety was approximately \$6.4 million in 2009, \$.9 million lower than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its Governmental Activities as of December 31, 2009, amounted to \$57,129,510, net of accumulated depreciation, compared to \$56,748,306 at December 31, 2008. This investment in capital assets includes land, buildings, improvements, machinery and equipment, roads and bridges. The total increase in the County's investment in capital assets for the current fiscal year was 1.5% for Governmental Activities compared to 4.1% in 2008.

COUNTY OF TIOGA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

Figure 7 - Capital Assets, Net of Depreciation

| | Governmental Activities | | Percent Change |
|--|--------------------------------|----------------------|-----------------------|
| | 2008 | 2009 | 2008 - 2009 |
| <i>Land</i> | \$ 1,355,100 | \$ 1,355,100 | 0.0% |
| <i>Construction in progress</i> | 2,552,837 | 649,838 | -74.5% |
| <i>Buildings and improvements</i> | 30,008,468 | 30,008,468 | 0.0% |
| <i>Equipment</i> | 10,599,973 | 10,774,927 | 1.7% |
| <i>Infrastructure</i> | 43,202,212 | 45,298,609 | 4.9% |
| Total Capital Assets at Historical Cost | 87,718,590 | 88,086,942 | 0.9% |
| <i>Accumulated depreciation</i> | (30,970,284) | (30,957,432) | 0.0% |
| Total Capital Assets, Net of Accumulated Depreciation | \$ 56,748,306 | \$ 57,129,510 | 0.7% |

This year's additions consisted of:

| | |
|---|-----------------------|
| Construction in progress | \$ 502,646 |
| Building | -0- |
| Machinery and equipment | 916,609 |
| Infrastructure | <u>2,783,994</u> |
| Total Additions | 4,203,249 |
| Depreciation expense | (3,367,339) |
| Net book value of disposed assets | <u>(454,706)</u> |
| Total Change in Capital Assets, net of Accumulated Depreciation | \$ <u>381,204</u> |

Debt Administration

At the end of 2009, the County and its blended component unit had total debt outstanding, in the form of serial bonds, of \$18,898,032. The County's debt of \$3,660,000 is backed by the full faith and credit of the County and is exempt from the County's statutory debt limit of \$157,257,413. The blended component unit, Tioga Tobacco Asset Securitization Corporation, has debt of \$15,238,032, which is backed by Tobacco Settlement Revenues.

Figure 8 - Outstanding Debt at Years Ended

| | Governmental Activities | |
|---|--------------------------------|----------------------|
| | 2008 | 2009 |
| <i>Beginning outstanding debt</i> | \$ 20,290,319 | \$ 19,633,919 |
| <i>Addition of accreted interest on TTASC bonds</i> | 198,600 | 214,113 |
| <i>Paid during the year</i> | (855,000) | (950,000) |
| Totals | \$ 19,633,919 | \$ 18,898,032 |

The County also has other long-term liabilities, which are described in Note 2.B of the footnotes.

Moody's Investors Service assigned the rating of A3 to the County's most recent debt issuance.

COUNTY OF TIOGA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- The County Legislature is sensitive to the property tax burdens on the community. In developing the 2010 budget, the County offset increases in payroll, energy costs, and State programs with significant cost reductions in other areas. The County lowered the 2010 fund balance appropriation by \$800,000 for a total of \$3.8 million. The impact on the real property tax levy was an increase of 4.55% for a total tax levy of \$19,833,317.
- 2010 year to date sales tax collection has been trending about the same as 2009. However, property tax redemptions remain solid with less than one percent entering foreclosure. Last year, foreclosed property auction produced a surplus of \$200,000.
- The County Property Tax base grew by 1.10% in 2009.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the County of Tioga's citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives and disburses. If you have questions about the report or need any additional financial information, contact James McFadden, County Treasurer, 56 Main Street, Owego, New York 13827.

COUNTY OF TIOGA
STATEMENT OF NET ASSETS
DECEMBER 31, 2009

| | Primary Government | Component Units | |
|---|----------------------------|-------------------------------------|--|
| | Governmental Activities | Industrial Development Agency | Soil and Water Conservation District |
| <u>ASSETS</u> | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 19,913,867 | \$ 574,249 | \$ 1,217,344 |
| Restricted cash | | 1,836,641 | |
| Investments | | 1,209,631 | |
| Taxes receivable, net | 5,450,979 | | |
| Accounts receivable, net | 1,203,627 | 17,190 | 156,261 |
| Interest receivable | | 1,214 | |
| Loans and leases receivable - current portion | 197,134 | 111,952 | |
| Due from state and federal governments | 6,652,641 | | |
| Due from other governments | 317,629 | | |
| Prepaid expenses | 305,882 | | 3,444 |
| Total Current Assets | <u>34,041,759</u> | <u>3,750,877</u> | <u>1,377,049</u> |
| Noncurrent Assets: | | | |
| Restricted cash and cash equivalents | 775,974 | | |
| Loans and leases receivable, long-term portion | | 293,199 | |
| Unamortized bond issue costs | 525,482 | 171,498 | |
| Capital assets-land and construction in progress | 2,004,938 | 673,674 | |
| Capital assets-depreciable, net of accumulated depreciation | 55,124,572 | 1,071,112 | 311,297 |
| Total Noncurrent Assets | <u>58,430,966</u> | <u>2,209,483</u> | <u>311,297</u> |
| Total Assets | <u>92,472,725</u> | <u>5,960,360</u> | <u>1,688,346</u> |
| <u>LIABILITIES</u> | | | |
| Current Liabilities: | | | |
| Accounts payable | 2,341,292 | | 210,852 |
| Accrued liabilities | 3,209,011 | 179,247 | 82 |
| Interest payable | 85,501 | | |
| Due to other governments | 5,778,858 | | |
| Compensated absences | 780,739 | | 20,187 |
| Deferred revenue | 114,894 | | |
| Self insurance accruals | 35,119 | | |
| Long-term obligations due within one year | 1,050,000 | 805,712 | |
| Total Current Liabilities | <u>13,395,414</u> | <u>984,959</u> | <u>231,121</u> |
| Long-term obligations due after one year | 33,213,175 | 1,876,700 | |
| Total Liabilities | <u>46,608,589</u> | <u>2,861,659</u> | <u>231,121</u> |
| <u>NET ASSETS</u> | | | |
| Invested in capital assets, net of related debt | 38,687,024 | (730,214) | 311,297 |
| Restricted for: | | | |
| Debt | 775,969 | | |
| Soil and water conservation | | | 657,421 |
| Community development | 939,541 | | |
| Various purposes | 135,145 | | |
| Total Restricted Net Assets | <u>1,850,655</u> | <u>-0-</u> | <u>657,421</u> |
| Unrestricted | 5,326,457 | 3,828,915 | 488,507 |
| Total Net Assets | <u>\$ 45,864,136</u> | <u>\$ 3,098,701</u> | <u>\$ 1,457,225</u> |

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

| | Program Revenues | | | |
|-------------------------------------|------------------|----------------------|------------------------------------|----------------------------------|
| <u>FUNCTIONS/PROGRAMS</u> | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| General governmental support | \$ 15,909,352 | \$ 4,620,912 | \$ 343,154 | \$ 49,548 |
| Education | 5,208,337 | | 1,165,640 | |
| Public safety | 11,241,457 | 679,809 | 347,082 | |
| Health | 10,517,050 | 5,493,591 | 4,641,705 | 15,495 |
| Transportation | 6,167,957 | 1,456 | 934,759 | 1,995,122 |
| Economic assistance and opportunity | 23,771,514 | 1,376,022 | 11,408,088 | |
| Culture and recreation | 252,693 | 3,080 | 70,606 | |
| Home and community services | 2,366,623 | 497,952 | 53,490 | |
| Interest on debt | 1,019,526 | | | |
| Total Primary Government | \$ 76,454,509 | \$ 12,672,822 | \$ 18,964,524 | \$ 2,060,165 |
| Component Units: | | | | |
| Industrial Development Agency | \$ 317,122 | \$ 885,097 | \$ 646,651 | \$ |
| Soil and Water Conservation | 2,583,023 | 290,577 | 2,092,096 | |
| Total Component Units | \$ 2,900,145 | \$ 1,175,674 | \$ 2,738,747 | \$ -0- |

Net (Expense) Revenue and Changes in Net Assets brought forward

GENERAL REVENUES

Taxes:

 Property taxes, levied for general purposes

 Sales and other taxes

County appropriations

Tobacco settlement payments

Use of money and property

Miscellaneous

Fines and forfeitures

Total General Revenues

Change in Net Assets

Net Assets - Beginning, as Restated

Net Assets - Ending

See Independent Auditor's Report and Notes to Financial Statements

Net (Expense) Revenue and
Changes in Net Assets

| Primary Government Total Governmental Activities | Component Units | |
|--|-------------------------------------|--|
| | Industrial Development Agency | Soil and Water Conservation District |
| \$ (10,895,738) | \$ _____ | \$ _____ |
| (4,042,697) | _____ | _____ |
| (10,214,566) | _____ | _____ |
| (366,259) | _____ | _____ |
| (3,236,620) | _____ | _____ |
| (10,987,404) | _____ | _____ |
| (179,007) | _____ | _____ |
| (1,815,181) | _____ | _____ |
| (1,019,526) | _____ | _____ |
| (42,756,998) | -0- | -0- |
| _____ | 1,214,626 | _____ |
| _____ | _____ | (200,350) |
| -0- | 1,214,626 | (200,350) |
| (42,756,998) | 1,214,626 | (200,350) |
| 21,926,524 | _____ | _____ |
| 17,997,657 | _____ | _____ |
| _____ | _____ | 189,235 |
| 725,834 | _____ | _____ |
| 166,260 | (4,965,146) | 3,709 |
| (128,935) | _____ | 50,648 |
| 141,813 | _____ | _____ |
| 40,829,153 | (4,965,146) | 243,592 |
| (1,927,845) | (3,750,520) | 43,242 |
| 47,791,981 | 6,849,221 | 1,413,983 |
| \$ <u>45,864,136</u> | \$ <u>3,098,701</u> | \$ <u>1,457,225</u> |

COUNTY OF TIOGA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009

| | Major Fund General Fund | Total Non-Major Governmental Funds | Total Governmental Funds |
|---|-------------------------------|---|--------------------------------|
| <u>ASSETS</u> | | | |
| Assets: | | | |
| Cash and cash equivalents - Unrestricted | \$ 7,495,821 | \$ 6,673,095 | \$ 14,168,916 |
| - Restricted | | 775,974 | 775,974 |
| Taxes receivable, net | 5,450,979 | | 5,450,979 |
| Other receivables, net | 389,992 | 726,034 | 1,116,026 |
| Due from other funds | 3,183,228 | 1,324,487 | 4,507,715 |
| Due from state and federal governments | 5,135,001 | 1,517,640 | 6,652,641 |
| Due from other governments | 317,629 | | 317,629 |
| Prepaid expenses | 303,257 | 2,625 | 305,882 |
| Loans receivable | | 197,134 | 197,134 |
| Total Assets | \$ 22,275,907 | \$ 11,216,989 | \$ 33,492,896 |
| <u>LIABILITIES AND FUND BALANCES</u> | | | |
| Liabilities: | | | |
| Accounts payable | \$ 2,043,129 | \$ 290,905 | \$ 2,334,034 |
| Accrued liabilities | 571,005 | 52,974 | 623,979 |
| Due to other funds | 1,386,457 | 2,243,345 | 3,629,802 |
| Due to other governments | 5,672,512 | 106,346 | 5,778,858 |
| Other Liabilities | | 32,700 | 32,700 |
| Deferred revenues | 1,980,278 | 725,834 | 2,706,112 |
| Total Liabilities | 11,653,381 | 3,452,104 | 15,105,485 |
| Fund Balances: | | | |
| Fund Balances - Reserved for: | | | |
| Encumbrances | 544,900 | 276,763 | 821,663 |
| Miscellaneous reserve | 669,955 | 38,364 | 708,319 |
| Debt | | 775,969 | 775,969 |
| Total Reserved | 1,214,855 | 1,091,096 | 2,305,951 |
| Fund Balances - Unreserved | | | |
| Appropriated, Reported in: | | | |
| General Fund | 3,800,000 | | 3,800,000 |
| Capital Projects Funds | | 3,605,354 | 3,605,354 |
| Fund Balances - Unreserved | | | |
| Unappropriated, Reported in: | | | |
| General Fund | 5,607,671 | | 5,607,671 |
| Special Revenue Funds | | 1,537,834 | 1,537,834 |
| Capital Projects Funds | | 1,530,601 | 1,530,601 |
| Total Fund Balances | 10,622,526 | 7,764,885 | 18,387,411 |
| Total Liabilities and Fund Balances | \$ 22,275,907 | \$ 11,216,989 | \$ 33,492,896 |

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2009

Total Governmental Fund Balances \$ 18,387,411

Amounts reported for Governmental Activities in the Statement of Net Assets are different because:

Capital assets, net of accumulated depreciation, used in Governmental Activities are not financial resources and, therefore, are not reported in the funds. See Note 2.A.7

| | | |
|-----------------------------------|---------------------|-------------------|
| Historical cost of capital assets | \$ 88,086,942 | |
| Less accumulated depreciation | <u>(30,957,432)</u> | <u>57,129,510</u> |

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 2,591,218

Internal Service Funds are used by management to charge the costs of certain activities, such as health and workers' compensation insurance. The assets and liabilities of the Internal Service Funds are included in Governmental Activities in the Statement of Net Assets. (2,090,070)

Certain accrued expenses, such as interest on debt, reported in the Statement of Net Assets do not require the use of current financial resources and, therefore, are not reported as liabilities in Governmental Funds. (85,501)

Bond issuance costs are fully expensed in the Governmental Funds, but amortized over a period of time in the Statement of Activities. 525,482

Long-term liabilities, including bonds payable, compensated absences, and other postemployment benefit liability, are not due and payable in the current period and, therefore, are not reported in the funds. See Note 2.B.3.

| | | |
|--|------------------|---------------------|
| Bonds payable | \$ (18,112,915) | |
| Accreted interest on TASC bonds | (785,117) | |
| Other postemployment benefit liability | (10,915,143) | |
| Compensated absences | <u>(780,739)</u> | <u>(30,593,914)</u> |

Net Assets of Governmental Activities \$ 45,864,136

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

| | <u>Major Fund</u> General Fund | Total Non-Major Governmental Funds | Total Governmental Funds |
|---|--------------------------------------|---|--------------------------------|
| <u>REVENUES</u> | | | |
| Real property taxes | \$ 18,381,004 | \$ 834,873 | \$ 19,215,877 |
| Real property tax items | <u>2,239,767</u> | | <u>2,239,767</u> |
| Nonproperty tax items | <u>16,865,711</u> | <u>1,131,946</u> | <u>17,997,657</u> |
| Departmental income | <u>8,306,344</u> | <u>483,732</u> | <u>8,790,076</u> |
| Intergovernmental charges | <u>579,018</u> | | <u>579,018</u> |
| Use of money and property | <u>87,658</u> | <u>25,974</u> | <u>113,632</u> |
| Licenses and permits | <u>2,867</u> | | <u>2,867</u> |
| Fines and forfeitures | <u>141,813</u> | | <u>141,813</u> |
| Sale of property and compensation for loss | <u>9,215</u> | | <u>9,215</u> |
| Miscellaneous local sources | <u>298,770</u> | <u>60</u> | <u>298,830</u> |
| Tobacco settlement revenue | | <u>872,187</u> | <u>872,187</u> |
| Interfund revenues | <u>17,726</u> | | <u>17,726</u> |
| State sources | <u>9,700,304</u> | <u>1,534,361</u> | <u>11,234,665</u> |
| Federal sources | <u>8,410,117</u> | <u>1,379,907</u> | <u>9,790,024</u> |
| Total Revenues | <u>65,040,314</u> | <u>6,263,040</u> | <u>71,303,354</u> |
| <u>EXPENDITURES</u> | | | |
| Current: | | | |
| General governmental support | <u>9,888,484</u> | <u>24,124</u> | <u>9,912,608</u> |
| Education | <u>5,191,138</u> | | <u>5,191,138</u> |
| Public safety | <u>6,401,237</u> | | <u>6,401,237</u> |
| Health | <u>7,324,576</u> | | <u>7,324,576</u> |
| Transportation | <u>630,986</u> | <u>1,812,844</u> | <u>2,443,830</u> |
| Economic assistance and opportunity | <u>20,342,519</u> | <u>411,846</u> | <u>20,754,365</u> |
| Culture and recreation | <u>232,827</u> | | <u>232,827</u> |
| Home and community services | <u>657,064</u> | <u>1,430,577</u> | <u>2,087,641</u> |
| Employee benefits | <u>8,851,007</u> | <u>737,858</u> | <u>9,588,865</u> |
| Debt service (principal and interest) | <u>690,000</u> | <u>858,250</u> | <u>1,548,250</u> |
| Capital outlay | | <u>4,226,178</u> | <u>4,226,178</u> |
| Total Expenditures | <u>60,209,838</u> | <u>9,501,677</u> | <u>69,711,515</u> |
| Excess of Revenues (Expenditures) | <u>4,830,476</u> | <u>(3,238,637)</u> | <u>1,591,839</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | |
| Interfund transfers in | | <u>5,099,572</u> | <u>5,099,572</u> |
| Interfund transfers (out) | <u>(5,099,572)</u> | | <u>(5,099,572)</u> |
| Total Other Financing Sources (Uses) | <u>(5,099,572)</u> | <u>5,099,572</u> | <u>-0-</u> |
| Excess of Revenues (Expenditures) and Other Financing Sources (Uses) | <u>(269,096)</u> | <u>1,860,935</u> | <u>1,591,839</u> |
| Fund Balances, Beginning; as Restated | <u>10,891,622</u> | <u>5,903,950</u> | <u>16,795,572</u> |
| Fund Balances, Ending | <u>\$ 10,622,526</u> | <u>\$ 7,764,885</u> | <u>\$ 18,387,411</u> |

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

Net Change in Fund Balances - Total Governmental Funds \$ 1,591,839

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense and the net book value of disposed assets.

| | | |
|-----------------------------------|--------------------|----------------|
| Capital outlay | \$ 4,203,249 | |
| Net book value of disposed assets | (454,706) | |
| Depreciation expense | <u>(3,367,339)</u> | <u>381,204</u> |

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 324,527

Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount of bond principal that was repaid. 950,000

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in Governmental Funds.

| | | |
|--|------------------|--------------------|
| Change in compensated absences | \$ (8,771) | |
| Change in postemployment benefits liability | (5,539,466) | |
| Change in accrued interest payable | 14,104 | |
| Amortization of bond issue costs | (49,129) | |
| Change in accreted interest on TASC capital appreciation bonds | <u>(214,113)</u> | <u>(5,797,375)</u> |

Internal Service Funds are used by management to charge the costs of certain activities, such as workers' compensation and insurance, to individual funds. The net revenue of the internal service fund is reported with Governmental Activities. 621,960

Change in Net Assets of Governmental Activities \$ (1,927,845)

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
DECEMBER 31, 2009

| | <u>Governmental Activities Internal Service Fund</u> |
|------------------------------|--|
| <u>ASSETS</u> | |
| Current Assets: | |
| Cash and cash equivalents | \$ <u>5,744,951</u> |
| Accounts receivable, net | <u>87,601</u> |
| Due from other funds | <u>61,971</u> |
| Total Current Assets | <u>5,894,523</u> |
| Total Assets | <u>5,894,523</u> |
| <u>LIABILITIES</u> | |
| Current Liabilities: | |
| Accounts payable | <u>7,258</u> |
| Accrued liabilities | <u>2,552,332</u> |
| Due to other funds | <u>939,884</u> |
| Self insurance accruals | <u>35,119</u> |
| Total Current Liabilities | <u>3,534,593</u> |
| Noncurrent Liabilities: | |
| Benefits and awards payable | <u>4,450,000</u> |
| Total Noncurrent Liabilities | <u>4,450,000</u> |
| Total Liabilities | <u>7,984,593</u> |
| <u>NET ASSETS</u> | |
| Unrestricted | <u>(2,090,070)</u> |
| Total (Deficit) | <u>\$ (2,090,070)</u> |

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

| | <u>Governmental Activities Internal Service Fund</u> |
|--|--|
| <u>OPERATING REVENUES</u> | |
| Charges for services - Governmental funds | \$ 6,671,741 |
| Charges for services - External participants | 3,819,456 |
| Other operating revenues | 52,404 |
| Total Operating Revenues | <u>10,543,601</u> |
| <u>OPERATING EXPENSES</u> | |
| Salaries and wages | 301,239 |
| Contractual | 830,018 |
| Benefits and awards | 8,847,573 |
| Claims and judgments | 19,759 |
| Total Operating Expenses | <u>9,998,589</u> |
| Income from Operations | <u>545,012</u> |
| <u>NONOPERATING REVENUES (EXPENSES)</u> | |
| Interest income | 52,628 |
| Other | 24,320 |
| Total Nonoperating Revenues | <u>76,948</u> |
| Net Income Before Transfers | <u>621,960</u> |
| Change in Net Assets | <u>621,960</u> |
| Net (Deficit), Beginning | <u>(2,712,030)</u> |
| Net (Deficit), Ending | <u>\$ (2,090,070)</u> |

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

| | <u>Governmental Activities</u> <u>Internal Service Fund</u> |
|---|--|
| Cash Flows from Operating Activities: | |
| Cash received from providing services - Governmental participants | \$ 6,666,380 |
| - External participants | <u>3,754,866</u> |
| Cash received from insurance recoveries | <u>52,404</u> |
| Cash payments - Employees | <u>(441,393)</u> |
| Cash payments - Claims and benefits | <u>(11,130,884)</u> |
| Net Cash (Used) by Operating Activities | <u>(1,098,627)</u> |
| Cash Flows from Non-capital Financing Activities | <u>-0-</u> |
| Cash Flows from Capital and Related Financing Activities | <u>-0-</u> |
| Cash Flows from Investing Activities: | |
| Interest income received | 52,628 |
| Other income received | <u>24,320</u> |
| Net (Decrease) in Cash and Cash Equivalents | <u>(1,021,679)</u> |
| Cash and Cash Equivalents, January 1, | <u>6,766,630</u> |
| Cash and Cash Equivalents, December 31, | <u>\$ 5,744,951</u> |
| Reconciliation of Income from Operations to Net Cash (Used) by Operating Activities: | |
| Income from operations | \$ <u>545,012</u> |
| (Increase) in interfund receivable | <u>(5,361)</u> |
| (Increase) in other receivables | <u>(64,590)</u> |
| (Decrease) in interfund payable | <u>(140,154)</u> |
| (Decrease) in accounts payable | <u>(63,841)</u> |
| (Decrease) in accrued liabilities | <u>(1,369,693)</u> |
| Net Cash (Used) by Operating Activities | <u>\$ (1,098,627)</u> |

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
DECEMBER 31, 2009

| | Private Purpose Trust Funds | Agency Funds |
|--|-----------------------------------|-------------------|
| <u>ASSETS</u> | | |
| Cash and cash equivalents - Unrestricted | \$ <u>31,542</u> | \$ <u>385,875</u> |
| Total Assets | <u>31,542</u> | <u>\$ 385,875</u> |
| <u>LIABILITIES</u> | | |
| Agency liabilities | <u> </u> | \$ <u>385,875</u> |
| Total Liabilities | <u>-0-</u> | <u>\$ 385,875</u> |
| <u>NET ASSETS</u> | | |
| Held in trust for private purposes | <u>\$ 31,542</u> | |

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

| | Private Purpose Trust Funds |
|------------------------------|-----------------------------------|
| <u>ADDITIONS</u> | |
| Contributions | \$ 3,207 |
| Investment earnings | 190 |
| Total Additions | 3,397 |
| <u>DEDUCTIONS</u> | |
| Distributions | 5,636 |
| Total Deductions | 5,636 |
| Change in Net Assets | (2,239) |
| Net Assets - Beginning | 33,781 |
| Net Assets - Ending | \$ 31,542 |

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

Note 1 - Summary of Significant Accounting Policies

The financial statements of the County of Tioga (the County) have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The County has the option to apply FASB pronouncements issued after that date to its Governmental Activities and Proprietary Funds and has elected to do so. The more significant of the County's accounting policies are described below.

A. Financial Reporting Entity

The County, which was established in 1791, is governed by County Law, and other general laws of the State of New York. The County Legislature, which is the Legislative body responsible for the overall operation of the County, consists of nine members representing seven legislative districts within the County. The Chairman of the County Legislature, elected by the Legislature each year, serves as Chief Executive Officer. The County Treasurer, elected for a four year term, serves as Chief Fiscal Officer.

The County provides the following basic services: police and law enforcement, educational assistance for County residents attending community colleges, economic assistance, health and nursing services, maintenance of County roads, culture and recreational services, home and community services, and mental health services.

All Governmental Activities and functions performed for the County are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The financial reporting entity consists of (a) the primary government which is the County, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement Number 14, "The Financial Reporting Entity," as amended by GASB Statement Number 39, "Determining Whether Certain Organizations are Component Units."

The decision to include a potential component unit in the County's reporting entity is based on several criteria set forth in GASB Statement Number 14, as amended by GASB Statement Number 39, including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following are included as component units:

1. Blended Component Units

Tioga Tobacco Asset Securitization Corporation - Tioga Tobacco Securitization Corporation (TTASC), established on October 11, 2000, is a special purpose, local development corporation organized under the laws of the State of New York. TTASC is an instrumentality of the County, but is a separate legal entity from the County. TTASC will have not less than three or more than five directors, consisting of one ex-officio position being the chairperson of the County Legislature, up to four additional directors and one independent director appointed by the member of TTASC. Although legally separate from the County, TTASC is a component unit of the County and accordingly, is included in the County's basic financial statements as a blended component unit due to the fact that its purpose is to exclusively serve the County.

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
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TTASC is blended as part of the County's Governmental Activities and Non-Major Governmental Funds (Debt Service Fund). Separate financial statements may be obtained from the County Treasurer's Office.

2. Discretely Presented Component Units

Tioga County Soil and Water Conservation District - The Tioga County Soil and Water Conservation District was created by the State legislature to provide for the conservation of soil and water resources and prevention of soil erosion. The District provides technical assistance relative to natural resources conservation and water quality to the residents of the County. The five members of the District Board have complete responsibility for management and fiscal matters of the District. Separate financial statements may be obtained from the Tioga County Soil and Water Conservation District, 183 Corporate Drive, Owego, New York 13827.

Tioga Industrial Development Agency - A public benefit corporation created by State legislature and established to promote the economic welfare, recreation opportunities, and prosperity of the County's inhabitants and to develop economically sound commerce and industry. Members of the Agency have complete responsibility for management of the Agency and accountability for fiscal matters. The County is not liable for Agency bonds and exercises no oversight responsibility. Separate financial statements may be obtained from the Tioga County IDA, 56 Main Street, Owego, New York 13827.

B. Basic Financial Statements

The County's basic financial statements include both Government-wide (reporting the County as a whole) and Governmental Fund financial statements (reporting the County's Major Funds). Both the Government-wide and Governmental Fund financial statements categorize primary activities as either Governmental or Business-type. The County's general governmental support, education, public safety, health, transportation, economic assistance and opportunity, culture and recreation, and home and community services are classified as Governmental Activities. Services relating to self insurance and workers' compensation administration are classified as Internal Service Funds, and are also included in Governmental Activities.

1. Government-wide Financial Statements

The Government-wide financial statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of activities for the primary government and for the County's discretely presented component units.

Government-wide financial statements do not include the activities reported in the Fiduciary Funds or fiduciary component units. This Government-wide focus is more on the sustainability of the County as an entity and the change in the County's net assets resulting from the current year's activities.

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

In the Government-wide Statement of Net Assets, the Governmental Activities are presented on a consolidated basis in one column, and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities.

The Statement of Activities reports both the gross and net cost for each of the County's functions or programs. Gross expenses are direct expenses, including depreciation, that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. These expenses are offset by program revenues - charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the prepared or capital requirements of a particular program. Depreciation on assets that are shared by essentially all of the County's programs has been reported in general governmental support. Revenues, which are not classified as program revenues, are presented as general revenues of the County, with certain limited exceptions. The net cost represents the extent to which each function or program is self-financing or draws from the general revenues of the County.

The County does not allocate indirect costs. Indirect costs are reported in the function entitled "general governmental support."

2. Governmental Fund Financial Statements

The financial transactions of the County are reported in individual funds in the Government Fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures or expenses. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The County records its transactions in the fund types described below:

Governmental Funds

Governmental Funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources, and the related liabilities are accounted for through Governmental Funds. The measurement focus of the Governmental Funds is based upon determination of financial position and changes in financial position. The following are the County's Governmental Funds:

Major Fund:

General Fund - Principal operating fund which includes all operations not required to be recorded in other funds.

Non-Major Funds:

Special Revenue Funds - Accounts for proceeds of specific revenue sources legally restricted to expenditures for specified purposes. The following Special Revenue Funds are utilized:

Road Machinery Fund - Accounts for purchase, repair, maintenance, and storage of highway machinery, tools, and equipment pursuant to Section 133 of Highway Law.

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

Refuse and Garbage Fund - Accounts for expense of operation and program income of the solid waste and recycling facility.

Special Grant Fund - Accounts for funds received under the Workforce Investment Act (WIA).

County Road Fund - Accounts for expenditures for highway purposes authorized by Section 114 of the Highway Law.

Capital Projects Funds - Accounts for and reports financial resources to be used for acquisition, construction, or renovation of major capital facilities or equipment.

Debt Service Fund (TTASC) - Accounts for accumulation of resources from tobacco settlement payments and payment of principal and interest on Tobacco Settlement Pass through Bonds.

Proprietary Funds

Account for ongoing organizations or activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position, and changes in financial position. The following Proprietary Fund is utilized:

Internal Service Fund - Accounts for accumulation of resources for payment of unemployment insurance as authorized by Section 6M of the General Municipal Law and to account for the accumulation of resources for payment of compensation, assessments, and other obligations under Workers' Compensation Law, Article 5, and accumulation of resources for payment of self-insured risks as authorized by Section 6N of the General Municipal Law.

Fiduciary Funds

Account for assets held by the local government in a trustee or custodial capacity which are not available to support the County's programs. The following are the County's Fiduciary Funds:

Private Purpose Trust Funds - Trust arrangements under which principal and income benefit individuals, private organizations or other governments.

Agency Funds - Account for money and/or property received and held in the capacity of trustee, custodian or agent. Agency Funds are custodial in nature and do not involve measurement of results for operations. The most significant of the County's Agency Funds are mortgage tax and social service trust funds.

C. Basis of Accounting/Measurement Focus

Basis of accounting refers to when revenues and expenditures/expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of measurement focus. Measurement focus is the determination of what is measured, i.e. expenditures or expenses.

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

1. Accrual Basis

The Government-wide financial statements and the Proprietary and Fiduciary Fund financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly all of the County's assets and liabilities, including capital assets, as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual Basis

Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Material revenues that are accrued include real property taxes, State and Federal aid, sales tax, and certain user charges.

The County considers property tax receivables collected within 60 days after year-end to be available and recognizes them as revenues of the current year. All other revenues that are deemed collectible within 60 days after year end are recognized as revenues in the current year. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made. Expenditures are recorded when incurred. The cost of capital assets is recognized as an expenditure when received. Exceptions to this general rule are that 1) principal and interest on indebtedness are not recognized as an expenditure until due, and 2) compensated absences, such as vacation and sick leave, which vests or accumulates, are charged as an expenditure when paid.

D. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates. Significant estimates made by the County in the determination of recorded assets and liabilities include, but are not limited to, allowances for uncollectible property taxes and reserves for self-insurance claim liabilities.

E. Equity Classifications

1. Government-wide Financial Statements

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

Restricted net assets - Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

Unrestricted net assets - Consists of all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

2. Governmental Fund Financial Statements

Governmental Fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary Fund equity is classified the same as in the Government-wide financial statements. The following reserve funds are used by the County. Any capital gains or interest earned on reserve fund resources becomes part of the respective reserve fund. While a separate bank account is not necessary for each reserve fund, a separate identity for each reserve fund must be maintained.

Reserve for Encumbrances - Represents amount of outstanding encumbrances at the end of the fiscal year and is utilized by any of the Governmental Funds, as needed.

Miscellaneous Reserve - Used for various purposes; aggregated and reported in the General Fund. See Note 2. A. 6.

Reserve for Debt - Used for payment of the County's bonded indebtedness and reported in the Debt Service Funds.

F. Property Taxes

County real property taxes are levied annually no later than December 31 and become a tax lien on January 1. Taxes are collected in towns from January 1 to a date not later than June 1 when settlement is made with the County Treasurer, who makes collections thereafter. The towns' share of tax levies, which is guaranteed by the County, is paid to town supervisors out of the first monies received.

The County guarantees the real property tax levies of the villages and school districts located within the County. At December 31, 2009, the County reflected liabilities to the school districts of \$2,718,722 and the villages of \$454,155 for amounts of real property taxes the County had assumed responsibility for collecting, respectively. Such amounts were paid to the villages and school districts in 2010 and are included in due to other governments in the General Fund as of December 31, 2009.

All unpaid taxes of the current year are advertised and collected under the provisions of Article 11 of the Real Property Tax Law. Properties to which title is taken under this section of the Real Property Tax Law are sold through advertising for bids at public auction.

At December 31, 2009, total real property tax receivable was \$6,206,772 (before deduction of an allowance for uncollectible taxes of \$755,793). The portion of the receivable representing current year returned village and school taxes was \$3,208,896. The remaining portion of the tax receivable is offset by deferred tax revenues of \$1,865,384, which represents an estimate of the tax liens, and will not be collected within the first sixty (60) days of the subsequent year.

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

G. Sales Tax

The County imposes a 4% sales tax in the County and in accordance with Section 14 of the tax law, shares one-third of the 4% sales tax collections with the towns and villages.

Effective March 1, 1994 the County increased its sales tax by 1/2% to 3-1/2%. The 1/2% increase in sales tax rate is not shared with the towns and villages and proceeds are restricted to a capital reserve fund to be used only to finance capital improvement projects. The Non-Major Governmental Funds' non-property tax item amounting to \$1,131,946 is sales tax designated for capital projects. At December 31, 2009 this amount included an accrual of \$107,935, which is included in State and Federal receivables in the General Fund, for sales that occurred in the State of New York in 2009 and had not been received by the County at December 31, 2009.

Effective December 1, 2003 the County increased its sales tax by 1/2% to 4%. The 1/2% increase in sales tax rate is not shared with the towns and villages and the proceeds are considered as discretionary to offset rising any State mandates to counties.

The General Fund's primary non-property tax item is sales tax, which amounted to \$16,555,598. At December 31, 2009 this amount included an accrual of \$866,404, which is included in State and Federal receivables, for sales that occurred in the State of New York in 2009 and had not been received by the County at December 31, 2009. Of the \$16,555,598 recognized as revenue, \$4,566,459 was distributed to local municipalities within the County.

H. Cash and Cash Equivalents

For financial statement purposes, the County considers all highly liquid investments with original maturities of three months or less as cash equivalents.

I. Receivables

Receivables are stated net of estimated allowances for uncollectible amounts. Amounts due from State and Federal governments represent amounts owed to the County to reimburse it for expenditures incurred pursuant to State and Federally funded programs.

J. Revenues

Substantially all Governmental Fund revenues are accrued. Property tax receivables expected to be received later than 60 days after year end are deferred. In applying GASB Statement Number 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient. Subsidies and grants to Proprietary Funds that finance either capital or current operations are reported as nonoperating revenue, based on GASB 33.

Operating revenues of Internal Service Funds consist of user fees. Operating expenses of Internal Service funds consist of salaries, wages and benefits and contractual services. Transactions related to capital and financing activities, non-capital financing activities, investing activities and Interfund transfers from other funds are components of non-operating income. Subsidies and grants to Proprietary Funds which finance either capital or current operations are reported as nonoperating revenue based on GASB Statement Number 33.

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

K. Property, Plant, and Equipment

All capital assets are valued at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives of the assets. Governmental capital assets purchased or acquired with an original cost of over \$3,000 and having a useful life of greater than two years are capitalized at cost in the Statement of Net Assets. Contributed fixed assets are recorded at fair market value at the date received. The estimated useful lives for governmental capital assets are as follows:

| | |
|----------------------------|---------------|
| Buildings and improvements | 50 years |
| Machinery and equipment | 2 - 25 years |
| Infrastructure | 12 - 40 years |

L. Vacation and Sick Leave and Compensatory Absences

Under terms of personnel policies and union contracts, County employees, other than elected officials, are granted personal, vacation, and sick leave credits and may accumulate these credits as follows:

Employees are granted between three and four days personal leave each year depending on contracts, coverage and hiring date. At December 31 of each year, all unused personal leave is forfeited. Employees are not reimbursed for unused personal leave credits upon termination.

Employees are granted sick leave credits of one day per month, and may accumulate up to 216 days of sick leaves credits, depending on contract coverage. Sick leave must be used prior to leaving County employment or for postretirement benefit premiums as described in Note 2.B.1.

Employees are granted vacation leave credits of ten to twenty days per year depending on their contract and years of service. Up to two weeks of such leave can be carried over to the following year unless unusual circumstances exist and more time is requested and approved. Upon resignation or retirement, employees are paid for all unused vacation leave. The liability for vacation leave totaling \$780,739 is reported as an accrued liability in the Governmental Activities, as such amounts were not due and payable at December 31, 2009.

M. Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements take place when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between Governmental Funds are netted as part of the reconciliation to the Government-wide financial statements.

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

Note 2 - Detail Notes

A. Assets

1. Cash and Investments

The County's investment policies are governed by State statutes. In addition, the County has its own written investment policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conform with Federal, State, and other legal requirements; provide sufficient liquidity of invested funds in order to meet obligations as they become due; and attain a market rate of return. Oversight of investment activity is the responsibility of the County Treasurer.

Total financial institution (bank) balances at December 31, 2009, per the bank, were \$21,700,444, with a carrying value of \$20,155,613 for the primary government, and \$175,621 for the TTASC, and were either insured or collateralized with securities held by the pledging financial institution in the County's name. Included in cash and cash equivalents are deposits in municipal money market savings accounts in the amount of \$8,089,097. The TTASC also had liquidity reserves; recorded as restricted cash, in the amount \$775,974, and held by the TASC trustee.

a. Interest Rate Risk

The County's investment policy does not have a formal policy limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

b. Credit Risk

New York State General Municipal Law and the County's Investment and Deposit Policy authorize the County to purchase the following types of investments:

- Obligations of the United States of America
- Obligations guaranteed by the United States of America where payment of principal and interest are guaranteed by the United States of America
- Obligations of the State of New York
- Special time deposits accounts
- Certificates of Deposit
- Obligations of public authorities, public housing authorities, urban renewal agencies, and industrial development agencies where the general State statutes governing such entities or whose specific enabling legislation authorizes such investments
- Obligations issued pursuant to New York State Local Finance Law Section 4.00 and 25.00 (with approval of the New York State Comptroller) by any municipality, school district, or district corporation other than the County
- Repurchase agreements authorized subject to the following restrictions: All repurchase agreements must be entered into subject to a master repurchase agreement. Trading partners are limited to banks or trust companies authorized to do business in New York State and primary reporting dealers. Obligations shall be limited to obligations of the United States of America and obligations guaranteed by agencies of the United States of America. No substitutions will be allowed and the custodian shall be a party other than the trading partner.

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

c. Custodial Credit Risk

For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, the County may not recover its deposits. In accordance with New York State General Municipal Law and the County's Investment and Deposit Policy, all deposits of the County, including certificates of deposits and special time deposits in excess of the amount insured under the provisions of the Federal Deposit Insurance Act shall be secured by a pledge of securities with an aggregate value equal the aggregate amount of deposits. The County restricts the securities to the following eligible items:

- Obligations issued or fully insured or guaranteed as to the payment of principal and interest by the United States of America, an agency thereof or a United States government sponsored corporation;
- Obligations partially insured or guaranteed by any agency of the United States of America;
- Obligations issued or fully insured or guaranteed by the State of New York;
- Obligations issued by municipal corporations, school districts, or district corporations of New York State or obligations of any public benefit corporation which under specific State statute may be accepted as security for deposit of public monies;
- Obligations issued by states (other than the State of New York) of the United States rated in one of the two highest rating categories by at least one Nationally Recognized Statistical Rating Organization; obligations of counties, cities, and other governmental entities of a state other than the State of New York having the power to levy taxes that are backed by the full faith and credit of such governmental entity and rated in one of the two highest categories by at least one Nationally Recognized Statistical Rating Organization;
- Obligations of domestic corporations rated in one of the two highest rating categories by at least one Recognized Statistical Rating Organization; and
- Zero coupon obligations of the United States of America marketed as treasury strips.

d. Investments

For investments, custodial risk is the risk that a government will not be able to recover the value of an investment or collateral securities in the possession of an outside party if the counter-party to the transaction fails. The County's investment policy requires all County investments be registered or insured in the County's name and held in the custody of the bank or the bank's trust department. Pledged securities are not required to be registered or inscribed in the name of the County. In the event that the pledged securities are not registered or inscribed in the name of the County, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to the County or its custodial bank.

e. Discretely Presented Component Unit - Industrial Development Agency

The Industrial Development Agency had cash with a carrying value of \$2,410,890, which was either insured or collateralized with securities held by the pledging financial institution in the Agency's name. Cash, in the amount of \$1,836,641 was restricted for use of the Agency's Board designated and outside contractual restrictions. The Agency also had certificates of deposit of \$1,209,631, with interest rates ranging from 1.3079% to 3.94% of which \$1,209,631 matures in 2010.

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
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FOR THE YEAR ENDED DECEMBER 31, 2009

f. Discretely Presented Component Units - Soil and Water Conservation District

The Soil and Water Conservation District had cash deposits with a carrying value of \$1,217,344 (unaudited), which were either insured or collateralized with securities held by the pledging financial institution in the Agency's name.

2. Medicaid Claims

During 2005, the New York Legislature enacted major changes to the funding of the County's share of Medicaid cost. Chapter 58 of the Laws of 2005 capped Medicaid cost at 2005 levels and limited the growth rates to 3.5% in 2006, 3.25% in 2007, and permanently capped growth at 3% beginning in 2008. The cap was established based on the County's local share expenditure made during the 2005 calendar base year.

This legislation fundamentally altered the Medicaid financing methodology, the accounting and recording of revenue and expense and the method of budgeting for Medicaid. As a result of this legislation, the County will receive long-term benefits due to the limitation of future costs to the County, as described above.

3. Special and Restricted Fund Balances

a. Miscellaneous Reserve

- i. State statutes require the County to reserve excess revenues over expenditures under the STOP DWI Program for use in the program in the following fiscal year. The amount of excess STOP DWI funds reserved in the General Fund at December 31, 2009 was \$135,145.
- ii. The County Legislature permits the collection of fees from telephone companies for the installation and operation of an Emergency 911 telephone system. A designation is therefore established in order for excess revenues may be used for this specific purpose in subsequent years. The amount designated in the General Fund at December 31, 2009 was \$417,918.
- iii. The County Legislature required the County to designate revenues from the forfeiture of criminal proceeds for the purpose of crime prevention. The amount of unexpended criminal prevention revenue designated in the General Fund at December 31, 2009 was \$21,523.
- iv. The County Legislature permits the collection of fees for hotel/motel usage. The amount of unexpended hotel/motel usage revenue designated in the General Fund at December 31, 2009 was \$94,856.
- v. The County Legislature permits the collection of fees from illegal handicapped parking. The amount of unexpended handicapped parking revenue designated in the General Fund at December 31, 2009 was \$513.

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
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FOR THE YEAR ENDED DECEMBER 31, 2009

- b. The County Legislature adopted a resolution to increase its sales tax by one-half of one percent for the purpose of financing capital projects. The amount of unexpended sales tax revenue designated and/or appropriated for 2010 in the Capital Projects Fund at December 31, 2009 was \$1,131,946.
- c. The County Legislature adopted a local law to sell future rights, title, and interest in the Tobacco Settlement Revenue's (TSR) under the Master Settlement Agreement and the Consent Decree and Final Judgment of the Supreme Court of the State of New York, dated December 23, 1998, to the TTASC as Described in Note 1.A.1. The County by law is required to use the net proceeds of the sale to finance capital projects. As of December 31, 2009 there is \$455,546 designated and/or appropriated within the Capital Projects Fund for the reconstruction and replacement of bridges in Tioga County.

4. State and Federal Receivables

State and Federal receivables in the General Fund are comprised primarily of claims and reimbursement of expenditures in administering various health and social service programs in accordance with New York State and Federal laws and regulations. These receivables are reported net of related advances received from the State. Cash advances received by the County under other programs are reported as other liabilities.

The County participates in a number of grant and assistance programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The County believes, based upon its review of current activity and prior experience, the amount of disallowances resulting from these audits, if any, will not be significant to the County's financial position or results of operations. Expenditures disallowed by completed audits relating to operating programs have been reflected as adjustments to revenues in the year the expenditure was determined to be unallowable, as such amounts have been immaterial in nature.

5. Tobacco Settlement and Other

In October 2000, the County sold to TTASC all of its future rights, title and interest, in the tobacco settlement revenues. As part of this sale, the County became the beneficial owner of a Residual Certificate, which represents the entitlement to receive all amounts required to be distributed after payment of debt service, operating expenses and certain other costs. The Non-Major Governmental Funds reflect \$872,187 of tobacco settlement revenues for the year ended December 31, 2009. The amount recognized in the Statement of Activities, on the accrual basis is \$725,834.

6. Other Accounts Receivable

Other accounts receivable as of December 31, 2009, are as follows:

Governmental Activities:

| | |
|--|---------------------|
| Various fees and charges | |
| Recorded in the General Fund | \$ 389,992 |
| Recorded in the Special Grant Fund | 186 |
| Recorded in the County Road Fund | 14 |
| Recorded in the Internal Service Fund | 87,601 |
| Tobacco settlement revenues recorded in the TTASC Fund | <u>725,834</u> |
| Total Accounts Receivable | <u>\$ 1,203,627</u> |

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

7. Capital Assets

Capital asset activity for the year ended December 31, 2009, was as follows:

| | <u>Balance at</u> <u>12/31/08</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at</u> <u>12/31/09</u> |
|--|--------------------------------------|---------------------|-----------------------|--------------------------------------|
| <u>Governmental Activities:</u> | | | | |
| Non-depreciable Capital Assets: | | | | |
| Land and land improvements | \$ 1,355,100 | \$ | \$ | \$ 1,355,100 |
| Construction in progress | <u>2,552,837</u> | <u>502,646</u> | <u>(2,405,645)</u> | <u>649,838</u> |
| Total Non Depreciable Capital Assets | <u>3,907,937</u> | <u>502,646</u> | <u>(2,405,645)</u> | <u>2,004,938</u> |
| Depreciable Capital Assets: | | | | |
| Buildings | 30,008,468 | | | 30,008,468 |
| Machinery and equipment | 10,599,973 | 916,609 | (741,655) | 10,774,927 |
| Infrastructure | <u>43,202,212</u> | <u>5,189,639</u> | <u>(3,093,242)</u> | <u>45,298,609</u> |
| Total Depreciable Capital Assets | <u>83,810,653</u> | <u>6,106,248</u> | <u>(3,834,897)</u> | <u>86,082,004</u> |
| Total Historical Cost | <u>87,718,590</u> | <u>6,608,894</u> | <u>(6,240,542)</u> | <u>88,086,942</u> |
| Less Accumulated Depreciation: | | | | |
| Buildings | (3,822,303) | (603,498) | | (4,425,801) |
| Machinery and equipment | (6,434,041) | (932,645) | 731,346 | (6,635,340) |
| Infrastructure | <u>(20,713,940)</u> | <u>(1,831,196)</u> | <u>2,648,845</u> | <u>(19,896,291)</u> |
| Total Accumulated Depreciation | <u>(30,970,284)</u> | <u>(3,367,339)</u> | <u>3,380,191</u> | <u>(30,957,432)</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 56,748,306</u> | <u>\$ 3,241,555</u> | <u>\$ (2,860,351)</u> | <u>\$ 57,129,510</u> |

Depreciation expense was charged to functions as follows:

| | |
|--|---------------------|
| <u>Governmental Activities:</u> | |
| General government support | \$ 468,194 |
| Public safety | 439,830 |
| Public health | 67,892 |
| Transportation | 2,276,758 |
| Economic assistance and opportunity | 95,550 |
| Home and community services | <u>19,115</u> |
| Total Governmental Activities Depreciation Expense | <u>\$ 3,367,339</u> |

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

Capital asset activity for the Industrial Development Agency for the year ended December 31, 2009, was as follows:

| | Balance at 12/31/08 | Additions | Deletions | Balance at 12/31/09 |
|----------------------------------|------------------------|-------------------|-----------------------|------------------------|
| Land and land improvements | \$ 5,576,880 | \$ 9,469 | \$ (4,893,870) | \$ 692,479 |
| Construction in progress | 423,083 | | (423,083) | -0- |
| Railroad tracking and facilities | 977,529 | 999,140 | | 1,976,669 |
| Sewer line | 81,655 | | (81,655) | -0- |
| Machinery and equipment | 2,283 | | | 2,283 |
| Total Historical Cost | <u>7,061,430</u> | <u>1,008,609</u> | <u>(5,398,608)</u> | <u>2,671,431</u> |
| Less Accumulated Depreciation | <u>(873,729)</u> | <u>(52,916)</u> | <u>-0-</u> | <u>(926,645)</u> |
| Capital Assets, Net | <u>\$ 6,187,701</u> | <u>\$ 955,693</u> | <u>\$ (5,398,608)</u> | <u>\$ 1,744,786</u> |

The Industrial Development Agency recognized a loss of \$4,893,870 on the write down of certain property contributed to the Agency.

B. Liabilities

1. Pension Plans

General Information

The County participates in the New York State and Local Employees' Retirement System (ERS). This is a cost sharing multiple-employer defined benefit retirement system, which provides retirement benefits. Obligations of employers and employees to contribute, and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of funds.

The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, New York 12244.

Funding Policy

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 and have fewer than ten years of credited service. These members contribute 3% of their salary. Prior to October 2000, all County employees who joined after July 27, 1976 were required to contribute 3%, but the laws were modified to forgive the 3% contribution for those with ten or more years of service time. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members which shall be used in computing the contributions required to be made by the employer to the Pension Accumulation Fund.

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

The County is required to contribute at an actuarially determined rate. The required contribution for the current year and two preceding years were:

| <u>Year</u> | <u>ERS</u> |
|-------------|--------------|
| 2009 | \$ 1,175,410 |
| 2008 | 1,346,956 |
| 2007 | 1,607,653 |

The County's contributions made to the System were equal to 100% of the contributions required for each of the years. The System's pension relief legislation (New York State Chapter 620, Laws of 2004) was enacted to provide employers with relief in payment of their annual ERS cost. This legislation provides several options to employers, including delaying their payments from December 15 to February 6 of the ensuing year, payment of a portion of their cost over an amortized period, and the means to issue serial bonds to provide funding for the employer's liability. In addition, the employer was given the option of making full payment on December 15 at a discounted amount. The County exercised its option of making payment on December 15, 2009, equal to 100% of the contributions required for the year.

The New York State Legislature has authorized local governments to make available retirement incentive programs. The County participates in early retirement programs when they are offered and has elected to pay the related cost over a five year amortization period, which includes interest at rates ranging from 8% to 8.5%. There is no remaining liability for these incentive programs at December 31, 2009.

2. Postemployment Benefits Other Than Pensions

In addition to the pension benefits described above, the County provides postretirement health care benefits to all employees who retire from the County in accordance with Article 2, Section 75-g, Article 14, and Article 15 of the New York State Retirement and Social Security Law. During 2009, 174 retirees participated in this program. When a retiree who was hired on or before 1991 elects such coverage, the individual payment is \$5.00 per month and the family payment is \$7.50 per month. For retirees hired after 1991, the cost is 50% of the monthly premium. Additionally, when an employee retires with accumulated sick leave, the dollar equivalent of the retiree's accumulated sick leave is credited to the retiree and used to fund their share of the premium cost of the health insurance program available to the retiree group. Certain premium savings are realized for employees eligible for Medicare coverage (i.e., over age 65). The entire amount of any savings realized is deducted from the employees' contribution. During 2009, the expected cost of this program was \$1,939,166.

In 2008, the County adopted Government Accounting Standards Board (GASB) Statement Number 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." In the past, the County reported the cost of its retiree health care postretirement benefits on a "pay-as-you-go" basis. An actuarial valuation of the County Postretirement Health Care Plans (The Plan) was performed as of January 1, 2007 for the fiscal years ending December 31, 2009 and 2008.

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

The Plan is a single-employer, defined benefit healthcare plan administered by the County. The Plan provides two self-insured options to eligible retirees and dependents. The County also offers an optional Medicare PPO plan to Medicare eligible retirees. Benefit provisions are established through negotiations between the County and bargaining units and are renegotiated each three-year period. The County assigns the authority to establish and amend benefit provisions to the County Legislature for non-bargaining unit employees. The Plan does not issue a stand-alone financial report.

The contribution requirements of Plan members and the County are established and may be amended by the County Legislature. The County Legislature has negotiated several collective bargaining agreements, which include obligations of Plan members and the County. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended December 31, 2009, the actuarial valuation used an expected County contribution to the Plan of \$1,939,166. Plan members receiving benefits may be required to contribute to the Plan depending on their hire date and collective bargaining unit.

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and accumulate sufficient total accruals for all postretirement benefits when due.

The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the County's net OPEB obligation to the County's Plan:

| | | |
|--|----|-------------|
| Normal cost | \$ | 7,649,261 |
| Interest on net OPEB obligation | | 437,346 |
| Total Annual Required Contribution | | 8,086,607 |
| Adjustment to annual required contribution | | (607,975) |
| Annual OPEB Cost (Expense) | | 7,478,632 |
| Contributions made (expected) | | (1,939,166) |
| Increase in Net OPEB Obligation | | 5,539,466 |
| Net OPEB Obligation - January 1, 2009 | | 5,375,677 |
| Net OPEB Obligation - December 31, 2009 | \$ | 10,915,143 |

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2009 is as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|----------------------|---------------------|--|------------------------|
| 12/31/08 | \$ 7,362,183 | 27.0% | \$ 5,375,677 |
| 12/31/09 | 7,649,261 | 27.6% | 5,539,466 |
| Total | | | \$ 10,915,143 |

The year ended December 31, 2009 is the second year that the OPEB obligation is required to be presented.

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

As of December 31, 2009, the Plan was not funded. The actuarial accrued liability for benefits was \$79,576,846; there are no assets legally segregated for the Plan. The covered payroll (annual payroll of active employees covered by the Plan) was \$17,348,091 and the ratio of the Unfunded Actuarial Accrued Liability (UAAL) to the covered payroll was 459 percent.

Actuarial valuations of an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding funded status of the Plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2009, Actuarial Valuation Report, the projected unit credit actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 10 percent initially reduced by decrements to an ultimate rate of 5 percent after ten years. The rate included a 4 percent inflation assumption.

3. Long-term Debt

At December 31, 2009, the total outstanding indebtedness of the County aggregated to \$18,898,032. This amount is not subject to the statutory debt limit of \$157,257,413.

a. Serial Bonds

Public improvement serial bonds, refunded in 2001, were utilized to finance the construction of a new public safety facility. The Tobacco Settlement Pass-Through bonds were utilized, as discussed in Note 2.A.1, to finance the purchase of the County's future right, title and interest in the Tobacco Settlement Revenues.

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

In 2005, TTASC advanced refunded its 2000 series debt and secured additional Tobacco Settlement Revenues by issuing \$15 million in bonds. The proceeds are expected to finance the construction of bridge repairs within the County over the next few years.

The following is a summary of serial bond indebtedness as of December 31, 2009:

| Serial Bonds: | <u>Interest</u> | <u>Maturity</u> | <u>Amount</u> |
|--|-----------------|-----------------|--------------------------|
| Issued by TTASC: | | | |
| Series 2005 | 4.25-5.00% | 12/31/2040 | \$ 14,452,915 |
| Add accreted interest on capital appreciation bonds | | | <u>785,117</u> |
| Carrying value of TTASC bonds | | | 15,238,032 |
| Issued by the County: | | | |
| Refunding issues - 2001 | 3.00-5.00% | 03/15/2014 | <u>3,660,000</u> |
| Total Serial Bonds | | | <u>\$ 18,898,032</u> |

The TTASC Series 2005 bonds are comprised of tax exempt turbo bonds in the amount of \$12,120,000 and \$2,332,915 of tax exempt turbo capital appreciation bonds. Accreted interest in the amount of \$785,117 has been accrued on the capital appreciation bonds, for a total carrying value of \$3,118,032 as of December 31, 2009.

Other Long-term Debt

In addition to the above long-term debt, the County had the following non-current liabilities:

- 1) Compensated Absences: Represents the value of earned and unused portion of the liability for compensated absences and is liquidated in various funds.
- 2) Self Insurance Liabilities: As further explained in Note 3, the County is self-insured. Liabilities are established for workers' compensation and general claims in accordance with GASB Statement Number 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues." This liability is liquidated in the Internal Service Funds.
- 3) Other Postemployment Benefits: Represents the County's liability for retiree health insurance.

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

Indebtedness and Certain Long-term Obligations

The following is a summary of changes in long-term obligations for the period ended December 31, 2009:

| | <u>Balance at</u> <u>12/31/08</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at</u> <u>12/31/09</u> | <u>Amount</u> <u>Due within</u> <u>One Year</u> |
|------------------------------------|--------------------------------------|---------------------|---------------------|--------------------------------------|---|
| Long-term Liabilities: | | | | | |
| Governmental Activities: | | | | | |
| Bonds Payable | \$ 19,062,915 | \$ | \$ (950,000) | \$ 18,112,915 | \$ 1,050,000 |
| Accreted Interest | 571,004 | 214,113 | | 785,117 | |
| Carrying value of bonds | 19,633,919 | 214,113 | (950,000) | 18,898,032 | 1,050,000 |
| Other Long-term Liabilities: | | | | | |
| Compensated absences | 771,968 | 8,771 | | 780,739 | 780,739 |
| Other postemployment benefits | 5,375,677 | 5,539,466 | | 10,915,143 | |
| Self insurance liabilities | 4,450,000 | | | 4,450,000 | |
| Total Long-term Liabilities | \$ 30,231,564 | \$ 5,762,350 | \$ (950,000) | \$ 35,043,914 | \$ 1,830,739 |

Additions and deletions to compensated absences, other postemployment benefits, and claims and judgments are shown net, as it is impractical to determine these amounts separately.

The annual requirements to amortize the debt on outstanding bonds as of December 31, 2009 are as follows:

| <u>Year</u> | <u>County</u> | | |
|---------------|---------------------|-------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2010 | \$ 730,000 | \$ 144,600 | \$ 874,600 |
| 2011 | 745,000 | 115,100 | 860,100 |
| 2012 | 735,000 | 81,825 | 816,825 |
| 2013 | 730,000 | 47,025 | 777,025 |
| 2014 | 720,000 | 15,300 | 735,300 |
| Totals | \$ 3,660,000 | \$ 403,850 | \$ 4,063,850 |

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

| Year | TTASC | | |
|-----------|----------------------|----------------------|----------------------|
| | Principal | Interest | Total |
| 2010 | \$ 320,000 | \$ 574,722 | \$ 894,722 |
| 2011 | 355,000 | 560,378 | 915,378 |
| 2012 | 375,000 | 544,806 | 919,806 |
| 2013 | 400,000 | 527,363 | 927,363 |
| 2014 | 430,000 | 507,675 | 937,675 |
| 2015-2019 | 2,900,000 | 2,166,968 | 5,066,968 |
| 2020-2024 | 4,445,000 | 1,238,875 | 5,683,875 |
| 2025-2029 | 3,836,714 | 3,070,174 | 6,906,888 |
| 2030-2034 | 798,624 | 5,324,601 | 6,123,225 |
| 2035-2039 | 574,528 | 5,898,720 | 6,473,248 |
| 2040 | 18,049 | 239,208 | 257,257 |
| Totals | <u>\$ 14,452,915</u> | <u>\$ 20,653,490</u> | <u>\$ 35,106,405</u> |

Letter of Credit

The County has an irrevocable standby Letter of Credit with Tioga State Bank for \$714,400. The County uses the letter of credit as part of its guarantee to Blue Cross-Blue Shield under the Tioga County Consolidated Municipal Health Insurance Program. Interest on advances is at the lender's base rate less 2.5% per annum with a minimum rate of 3.5% per annum. There have been no advances under the letter of credit as of December 31, 2009.

Discretely Presented Component Unit - Industrial Development Agency

The Industrial Development Agency has bonds outstanding, which were issued on September 12, 2002, as taxable variable rate demand industrial development bonds. Face value of the bonds was \$7,005,000. The bonds were sold at a discount of \$101,573. The average life of the bonds is 5.85 years, with a maturity date of September 2012. The interest rate on the bonds is blended, and calculated daily. As of December 31, 2009, the rate was 0.26%. At December 31, 2009, the face value of the bonds was \$2,475,000 with a remaining discount of \$27,086. The principal of the bonds is scheduled to be repaid as follows:

| Year | Amount |
|-------|---------------------|
| 2010 | \$ 780,000 |
| 2011 | 825,000 |
| 2012 | <u>870,000</u> |
| Total | <u>\$ 2,475,000</u> |

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

The costs of issuing the bonds and the bond discount have been capitalized and are included on the balance sheet as bond issuance costs. The amortization of the costs, using straight-line method is:

| | Amount |
|---------------------|------------|
| Bond issuance costs | \$ 541,588 |
| Less amortization | (397,156) |
| Total | \$ 144,412 |

In addition to the bonds noted above, the Agency has loans payable to the U.D.C. The one loan, in the amount of \$10,278, at 1.0% interest, matures 2011. The other loan, in the amount of 197,134, at 3.00% interest, matures in 2019. The repayment of these loans is estimated as follows:

| Year | Amount |
|-----------|------------|
| 2010 | \$ 25,712 |
| 2011 | 20,098 |
| 2012 | 18,581 |
| 2013 | 19,145 |
| 2014 | 19,728 |
| 2015-2019 | 104,148 |
| Total | \$ 207,412 |

C. Interfund Receivables/Payables and Transfers

During the course of normal operations, the County has numerous transactions between funds including expenditures and transfers of resources primarily to provide services.

The Governmental Funds financial statements generally reflect such transactions as transfers whereas the Proprietary Funds record such transactions as non-operating revenues or expenses. Interfund receivables/payables and transfers at December 31, 2009 were as follows:

| | Interfund Receivables | Interfund Payables | Interfund Revenue | Interfund Expense |
|--------------------------|--------------------------|-----------------------|----------------------|----------------------|
| General Fund | \$ 3,183,228 | \$ 1,386,457 | \$ 5,099,572 | \$ 5,099,572 |
| Non-Major Funds | 1,324,487 | 2,243,345 | 5,099,572 | |
| Total Governmental Funds | 4,507,715 | 3,629,802 | 5,099,572 | 5,099,572 |
| Internal Service Funds | 61,971 | 939,884 | | |
| Total | \$ 4,569,686 | \$ 4,569,686 | \$ 5,099,572 | \$ 5,099,572 |

All transfers were planned and budgeted as part of normal activities. The General Fund transfers out were to provide property tax revenues collected by the General Fund.

Note 3 - Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and third parties; and natural disasters. The County utilizes three risk management funds (internal service funds) to account for and finance the County's insured and uninsured risks of loss.

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

The Liability Insurance Fund provides self insurance coverage up to \$25,000 for property-related claims and up to \$50,000 for third-party liabilities. All County departments participate in the program with payments from participants based upon the participant's relative budget. The County purchases commercial insurance for claims in excess of the self insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. The County utilizes a third party administrator to process claims and estimate liabilities under this coverage.

The Self Insurance Fund provides self insurance coverage for all workers' compensation claims for employees of each participating municipality. The County and certain municipalities within the County participate in the program and make payments to the self insurance fund based upon three factors: the total property tax assessed value, the total payroll, and the prior years' claims for each participant. The County is completely self insured with regard to workers' compensation claims and is the administrator for this fund. The net deficit of this fund was \$2,834,240 at December 31, 2009 as the County has not fully funded incurred but not reported claims.

The consolidated Health Insurance Fund provides self insurance coverage up to an annual ceiling (\$9.4 million in 2009) for health and dental claims for employees of each participating municipality. The County and certain municipalities within the County participate in the program and make payments to the consolidated health insurance fund. Payments from participants are determined based upon the number of contracts each participating municipality utilized in the preceding year. The County purchases commercial insurance for claims in excess of self insurance coverage provided by the fund. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. The County utilizes a third party administrator who is responsible for processing claims and estimating liabilities under this coverage.

The estimated accrued claims of \$4,485,119 reported in the Internal Service Funds at December 31, 2009 are based upon the requirements of GASB Statement Number 10, "Accounting and Financial Reporting for Risk Financing and Related Issues," which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the basic financial statements and the amount of the loss can be reasonably estimated. All liabilities are recorded at their estimated fair values as of December 31, 2009 including discounted long-life workers' compensation awards within the Workers' Compensation Fund. Changes in the funds' liabilities for the year ended December 31, 2009 were:

| | Liability Beginning of Year | Claims and Changes in Estimates | Claim Payments | Liability End of Year |
|----------------------------|-----------------------------------|---------------------------------------|-------------------------|-----------------------------|
| Workers' compensation | \$ 5,100,000 | \$ 801,412 | \$ 801,412 | \$ 5,100,000 |
| Property and health claims | <u>3,304,080</u> | <u>4,127,200</u> | <u>8,046,161</u> | <u>(614,881)</u> |
| Total All Funds | <u>\$ 8,404,080</u> | <u>\$ 4,928,612</u> | <u>\$ 8,847,573</u> | <u>\$ 4,485,119</u> |

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

Note 4 - Transactions with Discretely Presented Component Units

Tioga County Soil and Water Conservation District

The County provides support to the District through annual appropriations. In 2009, the County provided \$189,235 to the District. In addition, the District office is on land owned by the County. A lease agreement has been put into place outlining the term and how the land may be used. The District is obligated to pay any and all expenses relative to the property as rent. Tioga County has the right to request a security deposit, but has not made that request. Time period of the lease is ten years, with the option to renew for four additional ten year periods.

Note 5 - Stewardship, Compliance, and Accountability - Deficit Fund Balance

General Fund Overexpenditure

The modified budget of \$5,130,075 for education was overexpended by \$(168,449). This was due to an unanticipated increase in participants in the Education of Handicapped Children program. Interfund transfers out were overexpended by \$(34,784). This was due to an audit adjustment. The County will monitor the budget more closely and make budget transfers as needed.

Note 6 - Restatement of General Fund Balance and Governmental Net Assets as of December 31, 2008

During the year, the County reviewed public health receivables and determined \$404,963 appeared uncollectible. As a result, fund balance in the General Fund and net assets in the Statement of Net Assets as of December 31, 2008, were restated by this amount.

| | General Fund | Governmental Activities |
|---|-----------------|----------------------------|
| Fund Balance/Net Assets as of December 31, 2008 per Report Dated September 8, 2009 | \$ 11,296,585 | \$ 48,196,944 |
| Restatement | (404,963) | (404,963) |
| Fund Balance/Net Assets as of December 31, 2008 as Restated | \$ 10,891,622 | \$ 47,791,981 |

The County has established procedures to ensure receivable balances are properly reported in the future.

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

Note 7 - Impact of Future Standards of the Governmental Accounting Standards Board (GASB)

The County is in the process of assessing the future effects of the following GASB Statements.

A. GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*

Governments possess many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. The guidance specific to intangible assets referred to above includes guidance on recognition. This Statement requires that an intangible asset be recognized in the statement of net assets only if it is considered identifiable. Additionally, this Statement establishes a specified-conditions approach to recognizing intangible assets that are internally generated. Effectively, outlays associated with the development of such assets should not begin to be capitalized until certain criteria are met. Outlays incurred prior to meeting these criteria should be expensed as incurred.

This Statement also provides guidance on recognizing internally generated computer software as an intangible asset. This guidance serves as an application of the specified-conditions approach described above to the development cycle of computer software. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009.

B. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*

This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The initial distinction that is made in reporting fund balance information is identifying amounts that are considered *nonspendable*, such as fund balance associated with inventories. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. Governments also are required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required.

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified by the provisions in this Statement. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010.

COUNTY OF TIOGA
 BUDGETARY COMPARISON SCHEDULE (NON-GAAP)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2009

| | Original Budget | Final Budget | Actual | Encumbrances | Variance Favorable- (Unfavorable) |
|---|--------------------|--------------------|----------------------|---------------------|---|
| REVENUES | | | | | |
| Real property taxes | \$ 18,969,870 | \$ 18,969,870 | \$ 18,381,004 | \$ | \$ (588,866) |
| Real property tax items | 1,666,380 | 1,683,430 | 2,239,767 | | 556,337 |
| Nonproperty tax items | 14,805,558 | 15,667,696 | 16,865,711 | | 1,198,015 |
| Departmental income | 8,636,431 | 8,396,141 | 8,306,344 | | (89,797) |
| Intergovernmental charges | 600,000 | 1,055,182 | 579,018 | | (476,164) |
| Use of money and property | 220,000 | 220,000 | 87,658 | | (132,342) |
| Licenses and permits | 1,800 | 1,800 | 2,867 | | 1,067 |
| Fines and forfeitures | 130,000 | 130,000 | 141,813 | | 11,813 |
| Sale of property and compensation for loss | | | 9,215 | | 9,215 |
| Miscellaneous local sources | 440,000 | 440,000 | 298,770 | | (141,230) |
| Interfund revenues | 17,050 | 17,050 | 17,726 | | 676 |
| State sources | 10,787,595 | 10,831,528 | 9,700,304 | | (1,131,224) |
| Federal sources | 6,088,084 | 7,888,005 | 8,410,117 | | 522,112 |
| Total Revenues | <u>62,362,768</u> | <u>65,300,702</u> | <u>65,040,314</u> | <u>-0-</u> | <u>(260,388)</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General governmental support | 11,287,107 | 10,983,821 | 9,888,484 | 83,062 | 1,012,275 |
| Education | 3,890,000 | 5,130,075 | 5,191,138 | 107,386 | (168,449) |
| Public safety | 8,139,615 | 7,368,586 | 6,401,237 | 95,190 | 872,159 |
| Health | 8,351,417 | 8,560,321 | 7,324,576 | 231,770 | 1,003,975 |
| Transportation | 1,000,000 | 742,536 | 630,986 | | 111,550 |
| Economic assistance and opportunity | 20,409,208 | 20,855,851 | 20,342,519 | 27,436 | 485,896 |
| Culture and recreation | 358,131 | 382,027 | 232,827 | 56 | 149,144 |
| Home and community services | 661,713 | 661,763 | 657,064 | | 4,699 |
| Employee benefits | 9,557,500 | 9,555,790 | 8,678,869 | | 876,921 |
| Debt service (principal and interest) | | 862,138 | 862,138 | | -0- |
| Total Expenditures | <u>63,654,691</u> | <u>65,102,908</u> | <u>60,209,838</u> | <u>544,900</u> | <u>4,348,170</u> |
| Excess of (Expenditures) Revenues | <u>(1,291,923)</u> | <u>197,794</u> | <u>4,830,476</u> | <u>(544,900)</u> | <u>4,087,782</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Interfund transfers (out) | (3,308,077) | (5,064,788) | (5,099,572) | | (34,784) |
| Total Other Financing (Uses) | <u>(3,308,077)</u> | <u>(5,064,788)</u> | <u>(5,099,572)</u> | <u>-0-</u> | <u>(34,784)</u> |
| Excess of (Expenditures) Revenues and Other Financing Sources (Uses) | <u>(4,600,000)</u> | <u>(4,866,994)</u> | <u>(269,096)</u> | <u>\$ (544,900)</u> | <u>\$ 4,052,998</u> |
| Appropriated Fund Balance | <u>4,600,000</u> | <u>4,866,994</u> | | | |
| Net Increase | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>(269,096)</u> | | |
| Fund Balance, Beginning as Restated | | | <u>10,891,622</u> | | |
| Fund Balance, Ending | | | <u>\$ 10,622,526</u> | | |

See Independent Auditor's Report and Notes to Required Supplementary Information

COUNTY OF TIOGA
 SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED DECEMBER 31, 2009

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) - Entry Age | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|--------------------------------|---------------------------------|--|---------------------------|-----------------|--------------------|--|
| 1/1/2008 | \$ -0- | \$ 76,792,324 | \$ 76,792,324 | 0% | \$ 16,949,966 | 453.1% |
| 1/1/2009 | -0- | 79,576,846 | 79,576,846 | 0% | 17,348,091 | 458.7% |

See Independent Auditor's Report and Notes to Required Supplementary Information

COUNTY OF TIOGA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2009

Note 1 - Budget Policies

No later than November 15, the budget officer submits a tentative for the fiscal year commencing the following January 1 to the County Legislature. The tentative budget includes proposed expenditures and the proposed means of financing for the General and Special Revenue Funds.

After public hearings are conducted to obtain taxpayer comments, no later than December 20, the County Legislature adopts the budget.

Budget modifications are authorized by resolution of the County Legislature. Unencumbered budgetary appropriations lapse at the close of each year.

Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. Budgets for these funds are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP), except as explained in Note 2.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve under that portion of the applicable appropriation, is employed in the Governmental Funds. Open encumbrances at year end are reported as reservations of fund balances, as the commitments do not constitute expenditures or liabilities.

Note 2 - Reconciliation of the Budget Basis to GAAP

No adjustment is necessary to convert the General Fund excess of revenues and other sources over expenditures and other uses on the GAAP basis to the budget basis. Encumbrances are presented in a separate column and are not included in the actual results at December 31, 2009.

Note 3 - Schedule of Funding Progress

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. This is the second year of implementation. Two years of information is presented for the year ending December 31, 2009.

COUNTY OF TIOGA
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2009

| | Special Revenue Funds | | | |
|---|--------------------------|-------------------------------|------------------------|---------------------------|
| <u>ASSETS</u> | Special Grant Fund | Refuse and Garbage Fund | County Road Fund | Road Machinery Fund |
| Assets: | | | | |
| Cash and cash equivalents - Unrestricted | \$ 950,304 | \$ 421,049 | \$ 722,411 | \$ 211,259 |
| - Restricted | | | | |
| Due from other funds | | 3,031 | 1 | 6,671 |
| Due from state and federal governments | 344,319 | | | |
| Other receivables, net | 186 | | 14 | |
| Prepaid expenses | | | | |
| Loans receivable | 197,134 | | | |
| Total Assets | \$ 1,491,943 | \$ 424,080 | \$ 722,426 | \$ 217,930 |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 77,403 | \$ 86,228 | \$ 97,961 | \$ 13,334 |
| Accrued liabilities | 5,069 | 5,053 | 34,524 | 8,328 |
| Due to other funds | 667,064 | 105,609 | 223,141 | 60,156 |
| Due to other governments | | | | |
| Other liabilities | | | | |
| Deferred revenues | | | | |
| Total Liabilities | 749,536 | 196,890 | 355,626 | 81,818 |
| Fund Balances: | | | | |
| Fund Balances - Reserved for: | | | | |
| Encumbrances | 9,903 | 36,550 | 28,000 | 109 |
| Miscellaneous | | 38,364 | | |
| Debt | | | | |
| Total Reserved | 9,903 | 74,914 | 28,000 | 109 |
| Fund Balances - Unreserved | | | | |
| Appropriated, Reported in: | | | | |
| Capital Projects Funds | | | | |
| Fund Balances - Unreserved, Reported in: | | | | |
| Special Revenue Funds | 732,504 | 152,276 | 338,800 | 136,003 |
| Capital Projects Funds | | | | |
| Total Fund Balances | 742,407 | 227,190 | 366,800 | 136,112 |
| Total Liabilities and Fund Balances | \$ 1,491,943 | \$ 424,080 | \$ 722,426 | \$ 217,930 |

See Independent Auditor's Report

| Capital Projects Funds | TTASC | Total Non-Major Governmental Funds |
|------------------------------|---------------------|---|
| \$ 4,192,451 | \$ 175,621 | \$ 6,673,095 |
| | <u>775,974</u> | <u>775,974</u> |
| <u>1,314,784</u> | | <u>1,324,487</u> |
| <u>1,173,321</u> | | <u>1,517,640</u> |
| | <u>725,834</u> | <u>726,034</u> |
| | <u>2,625</u> | <u>2,625</u> |
| | | <u>197,134</u> |
| <u>\$ 6,680,556</u> | <u>\$ 1,680,054</u> | <u>\$ 11,216,989</u> |
| | | |
| \$ 15,979 | \$ | \$ 290,905 |
| | | <u>52,974</u> |
| <u>1,187,375</u> | | <u>2,243,345</u> |
| <u>106,346</u> | | <u>106,346</u> |
| <u>32,700</u> | | <u>32,700</u> |
| | <u>725,834</u> | <u>725,834</u> |
| <u>1,342,400</u> | <u>725,834</u> | <u>3,452,104</u> |
| | | |
| <u>202,201</u> | | <u>276,763</u> |
| | | <u>38,364</u> |
| | <u>775,969</u> | <u>775,969</u> |
| <u>202,201</u> | <u>775,969</u> | <u>1,091,096</u> |
| | | |
| <u>3,605,354</u> | | <u>3,605,354</u> |
| | | |
| | <u>178,251</u> | <u>1,537,834</u> |
| <u>1,530,601</u> | | <u>1,530,601</u> |
| <u>5,338,156</u> | <u>954,220</u> | <u>7,764,885</u> |
| <u>\$ 6,680,556</u> | <u>\$ 1,680,054</u> | <u>\$ 11,216,989</u> |

COUNTY OF TIOGA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009

| | Special Revenue Funds | | | |
|---|--------------------------|-------------------------------|------------------------|---------------------------|
| | Special Grant Fund | Refuse and Garbage Fund | County Road Fund | Road Machinery Fund |
| <u>REVENUES</u> | | | | |
| Real property taxes | \$ | 834,873 | \$ | \$ |
| Nonproperty tax items | | | | |
| Departmental income | | 483,732 | | |
| Use of money and property | 1,677 | 1,045 | 2,361 | 597 |
| Miscellaneous local sources | | 60 | | |
| Tobacco settlement | | | | |
| State sources | 385,941 | | 20,000 | |
| Federal sources | 468,162 | | | |
| Total Revenues | <u>855,780</u> | <u>1,319,710</u> | <u>22,361</u> | <u>597</u> |
| <u>EXPENDITURES</u> | | | | |
| Current: | | | | |
| General governmental support | | | | |
| Transportation | | | 1,269,330 | 543,514 |
| Economic assistance and opportunity | 411,846 | | | |
| Home and community services | 254,534 | 1,176,043 | | |
| Employee benefits | 53,489 | 64,106 | 531,731 | 88,532 |
| Debt service (principal and interest) | | | | |
| Capital outlay | | | | |
| Total Expenditures | <u>719,869</u> | <u>1,240,149</u> | <u>1,801,061</u> | <u>632,046</u> |
| Excess of Revenues (Expenditures) | <u>135,911</u> | <u>79,561</u> | <u>(1,778,700)</u> | <u>(631,449)</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Interfund transfers in | | | 1,954,116 | 684,837 |
| Total Other Financing Sources (Uses) | <u>-0-</u> | <u>-0-</u> | <u>1,954,116</u> | <u>684,837</u> |
| Excess of Revenues (Expenditures) and Other Financing Sources (Uses) | <u>135,911</u> | <u>79,561</u> | <u>175,416</u> | <u>53,388</u> |
| Fund Balances, Beginning; as Restated | <u>606,496</u> | <u>147,629</u> | <u>191,384</u> | <u>82,724</u> |
| Fund Balances, Ending | <u>\$ 742,407</u> | <u>\$ 227,190</u> | <u>\$ 366,800</u> | <u>\$ 136,112</u> |

See Independent Auditor's Report

| Capital Projects Funds | TTASC | Total Non-Major Governmental Funds |
|------------------------------|-------------------|---|
| \$ | \$ | \$ |
| <u>1,131,946</u> | | <u>834,873</u> |
| | | <u>1,131,946</u> |
| | | <u>483,732</u> |
| <u>17,470</u> | <u>2,824</u> | <u>25,974</u> |
| | | <u>60</u> |
| | <u>872,187</u> | <u>872,187</u> |
| <u>1,128,420</u> | | <u>1,534,361</u> |
| <u>911,745</u> | | <u>1,379,907</u> |
| <u>3,189,581</u> | <u>875,011</u> | <u>6,263,040</u> |
| | <u>24,124</u> | <u>24,124</u> |
| | | <u>1,812,844</u> |
| | | <u>411,846</u> |
| | | <u>1,430,577</u> |
| | | <u>737,858</u> |
| | <u>858,250</u> | <u>858,250</u> |
| <u>4,226,178</u> | | <u>4,226,178</u> |
| <u>4,226,178</u> | <u>882,374</u> | <u>9,501,677</u> |
| <u>(1,036,597)</u> | <u>(7,363)</u> | <u>(3,238,637)</u> |
| <u>2,460,619</u> | | <u>5,099,572</u> |
| <u>2,460,619</u> | <u>-0-</u> | <u>5,099,572</u> |
| <u>1,424,022</u> | <u>(7,363)</u> | <u>1,860,935</u> |
| <u>3,914,134</u> | <u>961,583</u> | <u>5,903,950</u> |
| <u>\$ 5,338,156</u> | <u>\$ 954,220</u> | <u>\$ 7,764,885</u> |

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Frederick J. Ciaschi, C.P.A.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the governmental activities and the aggregate remaining fund information of the County of Tioga as of and for the year ended December 31, 2009. These financial statements, together with the aggregate discretely presented component units, collectively comprise the County's basic financial statements. Except for the financial statements of the Tioga County Soil and Water Conservation District, which have not been audited, we have issued our report thereon dated September 10, 2010. We did not audit the financial statements of the Tioga Tobacco Asset Securitization Corporation, the Tioga County Soil and Water Conservation District or the Tioga County Industrial Development Agency. The Tioga Tobacco Asset Securitization Corporation represents 1.8% and 1.2% respectively, of the assets and revenues of the Governmental Activities. The Tioga County Soil and Water Conservation District and the County of Tioga Industrial Development Agency represent 22.1% and 77.9%, and 63.2% and 36.8%, respectively, of the assets and revenues of the component units. The financial statements of the Tioga Tobacco Asset Securitization Corporation and the Tioga County Industrial Development Agency were audited by other auditors whose reports, issued in accordance with auditing standards generally accepted in the United States of America, have been furnished to us. Our opinions, insofar as they relate to the amounts included in the Tioga Tobacco Asset Securitization Corporation and the Tioga County Industrial Development Agency, are based on the reports of the other auditors. Except for the financial statements of the Tioga County Soil and Water Conservation District, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. 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.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did identify one deficiency in internal control over financial reporting that we consider to be a significant deficiency and one material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County in a separate letter dated September 10, 2010.

This report is intended solely for the information and use of the County Legislature, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cinchi, DiCicco, Little, Mickelson & Co., LLP

September 10, 2010
Ithaca, New York

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Frederick J. Ciaschi, C.P.A.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the County of Tioga (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The County of Tioga's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Tioga's management. Our responsibility is to express an opinion on County of Tioga's compliance based on our audit.

The County's basic financial statements include the operations of the Tioga Tobacco Asset Securitization Corporation, the Tioga County Industrial Development Agency, and the Tioga Soil and Water Conservation District whose federal awards which are not included in the Schedule of Expenditures of Federal Awards for the year ended December 31, 2009. The financial statements of the Tioga County Soil and Water Conservation District have not been audited, and the amount of federal awards expended by the District is unknown. Our audit, described below, did not include the federal awards of the above entities as these entities conducted separate audits in accordance with the OMB Circular A-133, if required.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

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In our opinion, the County, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 09-01.

Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the County Legislature, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cinchi, Dietrich, Little, Mickelson & Co., LLP

September 10, 2010
Ithaca, New York

COUNTY OF TIOGA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009

| Federal Grantor/Pass-Through Grantor/Program Title | Federal Catalog # | Pass-Through Grantor # | Expenditures |
|---|-------------------|------------------------|------------------|
| <u>U.S. Department of Agriculture</u> | | | |
| Passed Through NYS Department of Family Assistance: | | | |
| Food Stamp Cluster: | | | |
| Supplemental Nutrition Assistance Program | 10.551 | (1) | \$ 7,063,935 |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | (1) | 696,404 |
| Nutrition Assistance Program - ARRA | 10.561 | | 21,521 |
| | | | <u>7,781,860</u> |
| Passed Through NYS Department of Labor: | | | |
| Child Nutrition Program: | | | |
| School Breakfast Program | 10.553 | (1) | 5,114 |
| National School Lunch Program | 10.555 | (1) | 6,416 |
| | | | <u>11,530</u> |
| Total U.S. Department of Agriculture | | | 7,793,390 |
| <u>U.S. Department of Labor</u> | | | |
| Passed Through State Department of Labor: | | | |
| Workforce Investment Act Cluster: | | | |
| Workforce Investment Act - Adult Program | 17.258 | (1) | 85,798 |
| Workforce Investment Act - Adult Program - ARRA | 17.258 | (1) | 31,879 |
| Workforce Investment Act - Youth Activities | 17.259 | (1) | 60,642 |
| Workforce Investment Act - Youth Activities - ARRA | 17.259 | (1) | 46,454 |
| Workforce Investment Act - Dislocated Workers | 17.260 | (1) | 125,233 |
| Workforce Investment Act - Dislocated Workers - ARRA | 17.260 | (1) | 111,965 |
| | | | <u>461,971</u> |
| Total U.S. Department of Labor | | | 461,971 |
| <u>U.S. Department of Transportation</u> | | | |
| Passed Through State Department of Transportation: | | | |
| Highway Planning and Construction | 20.205 | D030403 | 448,000 |
| Federal Transit Formula Grants | 20.507 | (1) | 133,000 |
| Formula Grants for Other than Urbanized Areas | 20.509 | (1) | 435,788 |
| Passed Through NYS Governor's Traffic Safety Committee: | | | |
| State and Community Highway Safety | 20.600 | PT5400122 | 23,738 |
| Safety Incentive Grants for the Use of Seatbelts | 20.604 | (1) | 3,308 |
| Child Safety and Child Booster Seats Incentive Grants | 20.613 | (1) | 16,638 |
| | | | <u>1,060,472</u> |
| Total U.S. Department of Transportation | | | 1,060,472 |
| <u>U.S. Department of Education</u> | | | |
| Passed Through NYS Department of Health: | | | |
| Early Intervention Administration | 84.181A | (1) | 30,531 |
| Passed Through NYS Department of Education's State Fiscal Stabilization Fund - Government Services - Recovery Act | | | |
| | 84.397(A) | (1) | 135,395 |
| | | | <u>165,926</u> |
| Total U.S. Department of Education | | | 165,926 |
| Subtotal Expenditures of Federal Awards | | | 9,481,759 |

See Independent Auditor's Report and Notes to Schedule of Expenditures of Federal Awards

COUNTY OF TIOGA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>Federal Catalog #</u> | <u>Pass-Through Grantor #</u> | <u>Expenditures</u> |
|---|--------------------------|-------------------------------|----------------------|
| Subtotal Expenditures of Federal Awards Carried Forward | | | \$ 9,481,759 |
| <u>U.S. Department of Health and Human Services</u> | | | |
| Passed Through NYS Department of Family Assistance: | | | |
| Temporary Assistance for Needy Families (TANF) | 93.558 | (1) | 2,191,426 |
| ARRA Emergency Contingency Fund for TANF | 93.714 | (1) | <u>296,396</u> |
| Total TANF Cluster | | | 2,487,822 |
| Child Support Enforcement | 93.563 | (1) | 328,490 |
| ARRA Child Support Enforcement | 93.563 | (1) | 30,977 |
| Low-Income Home Energy Assistance | 93.568 | (1) | 4,741,546 |
| Child Care and Development Block Grant | 93.575 | (1) | 1,271,133 |
| ARRA Child Care and Development Block Grant | 93.713 | (1) | 80,688 |
| Foster Care-Title IV-E | 93.658 | (1) | 623,346 |
| ARRA Foster Care-Title IV-E | 93.658 | (1) | 17,252 |
| Adoption Assistance | 93.659 | (1) | 194,104 |
| ARRA Adoption Assistance | 93.659 | (1) | 17,424 |
| Social Services Block Grant | 93.667 | (1) | 425,684 |
| Chafee Foster Care Independence Program | 93.674 | (1) | 9,677 |
| Medical Assistance Program | 93.778 | (1) | 945,601 |
| Passed Through NYS Office of Mental Health: | | | |
| Medical Assistance Program | 93.778 | (1) | 100,000 |
| Passed Through NYS Division of Alcohol and Substance Abuse: | | | |
| Block Grant for the Prevention and Treatment of Substance Abuse | 93.959 | (1) | 118,542 |
| Passed Through the NYS Office of Mental Health: | | | |
| Maternal and Child Health Services Block Grant to the States | 93.994 | (1) | <u>37,518</u> |
| Total U.S. Department of Health and Human Services | | | 11,429,804 |
| <u>U.S. Department of Homeland Security</u> | | | |
| Passed Through NYS Department of Emergency Management: | | | |
| State and Local Homeland Security Exercise Support | 97.006 | (1) | 19,138 |
| Homeland Security Grant Program | 97.067 | (1) | <u>47,193</u> |
| Total U.S. Department of Homeland Security | | | <u>66,331</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 20,977,894</u> |

(1) Denotes - Unable to Obtain from Pass-Through Entity

See Independent Auditor's Report and Notes to Schedule of Expenditures of Federal Awards

COUNTY OF TIOGA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal awards programs administered by the County, except for such programs, if any, administered by the Tioga Tobacco Asset Securitization Corporation, Tioga Industrial Development Agency, and the Tioga County Soil and Water Conservation District. The schedule is presented on the basis of accounting for Federal programs consistent with the underlying regulations pertaining to each program. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Basis of Accounting

The amounts reported as Federal expenditures generally were obtained from the appropriate Federal financial reports for the applicable program and periods, with the exception of the Social Services Block Grant which was based on the District Reimbursement Ceiling as determined by the New York State Department of Social Services. The amounts reported in the Federal financial reports are prepared from records maintained for each program. These records are periodically reconciled to the general ledger which is the source of the basic financial statements.

Note 3 - Indirect Costs

Indirect costs are included in the reported expenditures to the extent they are included in the Federal financial reports used as the source for the data presented.

Note 4 - Matching Costs

Matching costs, i.e., the County's share of certain program costs, are not included in the reported expenditures.

Note 5 - Department of Social Services - Administrative Costs

Differences between the amounts reflected in the Schedule of Expenditures of Federal Awards and the Department of Social Services' Federal Financial Reports (RF-2 claims) are due to allocation of administrative costs to individual programs.

Note 6 - Non-Monetary Federal Program

The County is the recipient of Federal financial assistance programs that do not result in cash receipts or disbursements, termed "non-monetary programs." During the year ended December 31, 2009, the County distributed \$7,063,935 worth of food stamps to eligible persons participating in the Food Stamps Program (CFDA Number 10.551). These programs are considered a major Federal award in the County's single audit.

Note 7 - Pass-Through Programs

When the County receives funds from a government entity other than the Federal government (pass-through), the funds are accumulated based upon the Catalog of Federal Domestic Assistance (CFDA) number advised by the pass-through grantor.

Identifying numbers, other than CFDA numbers, which may be assigned by pass-through grantors are not maintained in the County's financial management system, and accordingly, are not available for presentation in the Schedule of Expenditures and Federal Awards.

COUNTY OF TIOGA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2009

Section I - **Summary of Auditor's Results:**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? yes no

Identification of major programs:

| CFDA Numbers: | Name of Federal Program or Cluster: |
|-------------------|---|
| 10.551 and 10.561 | Supplemental Nutrition Assistance Program Cluster |
| 93.558 and 93.714 | Temporary Assistance for Needy Families Cluster |
| 93.563 | Child Support Enforcement |
| 93.575 and 93.713 | Child Care Development Block Grant Cluster |
| 93.658 | Foster Care |
| 93.659 | Adoption Assistance |
| 93.778 | Medical Assistance Program (Medicaid) |

Dollar threshold used to distinguish between type A and type B programs \$629,337

Auditee qualified as low-risk auditee: yes no

COUNTY OF TIOGA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

DECEMBER 31, 2009

Section II - Financial Statement Findings

Reference No. 06-01

Condition:

Current accruals are not appropriately monitored by the County. Primarily, the County's self-insurance accruals are not analyzed on a periodic basis to ensure underlying accounting estimates support the required accruals.

Criteria:

Under U.S. generally accepted accounting principles, accruals based on estimates should reflect management's knowledge and experience about past and current events and assumptions about future events and the assumptions underlying estimates should be reasonable in relation to the financial statements as a whole.

Cause/Effect:

The County's procedures did not effectively ensure transactions were recorded in the proper period.

Recommendation:

It was recommended the County establish internal controls to ensure all accruals and underlying accounting estimates are subject to detailed analysis supporting management judgments and appropriate independent review to ensure compliance with U.S. generally accepted accounting principles.

Current Status:

During 2007, the County implemented procedures to analyze its self-insurance accruals and adjusted the accruals as necessary. During our prior and current year audit, we noted great improvement over the 2007 year audit. However, during our current year audit, adjustments to accrue additional payables and receivables were proposed to and accepted by management.

Corrective Action Plan:

Management will continue to strengthen controls over the year end closing process to ensure accounting estimates are subjected to detailed analysis to support management's judgments in establishing all accruals. Management will verify the completeness and accuracy of the data supporting the analysis and document reviews completed to ensure compliance of the financial statements with U.S. generally accepted accounting principles.

Reference No. 06-02

Condition:

The reconciliations of the County's bank accounts at December 31, 2006 were not performed in a timely manner which resulted in an undetected material misstatement in the basic financial statements.

Criteria:

Reconciling bank accounts on a timely basis permits errors or other problems to be recognized and resolved on a timely basis. Also, it is generally simpler and less time-consuming to reconcile accounts while transactions are fresh in mind.

Cause/Effect:

Via inquiry of County personnel, it was discovered that the computer system could not provide necessary information needed to complete reconciliations until year end closing, which occurs in April.

Recommendation:

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

COUNTY OF TIOGA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
DECEMBER 31, 2009

Current Status:

During the prior and current year audit, with the exception of year end bank reconciliations, the reconciliations appear to have been made in a timely manner. However, the year end bank reconciliations could not be performed until April 2009 and 2010 because the computer system could not provide the necessary information to perform the reconciliations until the year end closings could be performed in the system. No misstatement to the financial statements was noted as a result of this deficiency in the current year.

Corrective Action Plan:

Management has established controls to verify all bank accounts are reconciled as soon as the system allows. The County Legislature is aware the financial software is outdated. However, funds to replace the software are not currently available and the Legislature believes the cost of purchasing new software at this time outweighs the risk associated with delaying the year end bank reconciliations until year-end closing.

Section III - Federal Award Findings and Questioned Costs:

Reference No. 09-01

Condition:

During our current year audit of the Child Care Development Block Grant Cluster, of the 39 files selected for testing, we noted two providers who were not approved to provide day care services during the period selected for testing.

Criteria:

Regulations under 42 USC9858(c)(3)(E)(i) and (F) require recipients to comply with State licensing requirements and requirements designed to protect the health and safety of children that are applicable to child care providers for which assistance is made available under the grant.

Cause/Effect:

The County contracts with a not-for-profit agency to review applications and monitor and approve day care providers. Through inquiry of County personnel, it appears that the Agency did not keep the County regularly informed of changes in provider eligibility. This resulted in unapproved providers being reimbursed by the County.

Known Questioned Costs: \$3,824.

Likely Questioned Costs: Unknown

Recommendation:

We recommend the County strengthen controls over its communication process with the contracted Agency to ensure that only approved providers are performing child care services and being reimbursed by the block grant.

Corrective Action Plan:

The County will develop and implement procedures to receive timely notification by the Agency of changes in provider eligibility and to take immediate action to prevent the reimbursement of unapproved day care providers.