

COUNTY OF TIOGA

Owego, New York

FINANCIAL REPORT

December 31, 2014

COUNTY OF TIOGA
FOR THE YEAR ENDED DECEMBER 31, 2014

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, 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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Tioga County Soil and Water Conservation District or the Tioga County Industrial Development Agency. The Tioga County Soil and Water Conservation District and the County of Tioga Industrial Development Agency represent 23%, 24% and 85% and 77%, 76% and 15%, respectively, of the assets, net position and revenues of the discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Tioga County Soil and Water Conservation District or the Tioga County Industrial Development Agency, is based solely on the reports of the other auditors. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, 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 of Tioga, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information, and Schedule of Funding Progress on pages 4-4i and 41-43 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2015, on our consideration of Tioga 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* in considering Tioga County's internal control over financial reporting and compliance.

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

September 11, 2015
Ithaca, New York

COUNTY OF TIOGA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014. Please read this information in conjunction with the County's financial statements, which begin on page 5.

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$18,392,742 (net position) compared to \$26,294,183 in 2013. Required recognition of other postemployment benefits liability expense was the primary reason for the decrease.
- The unrestricted net deficit is primarily the result of the requirement to record the other postemployment benefits liability of \$46,000,514.
- As of December 31, 2014, the County's Governmental Funds reported combined fund balances of \$35,066,128. Approximately 68.8% of the combined fund balances, or \$24,127,447, is available to meet the County's current and future needs (assigned and unassigned fund balance).
- The General Fund ended the year with a fund balance of \$16,934,946. Of this, \$847,111 is non-spendable, \$417,236 is restricted and \$2,477,096 is assigned for subsequent year's expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of basic financial statements. The Statement of Net Position and the Statement of Activities (on pages 5-6a) 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 7. 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 5, with the Government-wide financial statements. The Statement of Net Position 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.

These two statements report the County's net position and its changes. The County's net position, the difference between assets and liabilities, is one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net position 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.

COUNTY OF TIOGA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

In the Statement of Net Position 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 County 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 County 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 7. 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 Position 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.

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 Position on page 14. 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.

COUNTY OF TIOGA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

THE COUNTY AS A WHOLE

The County's net position for fiscal year ended December 31, 2014 decreased \$(7,901,441), from \$26,294,183 to \$18,392,742. Similarly, last year net position decreased by \$(4,492,160).

The largest portion of the County's net position, \$36,499,670, 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 position, \$3,886,983, represents resources subject to external restrictions on how they may be used and are reported as restricted. Restricted net position includes \$3,110,796 in the General, Capital, and Refuse and Garbage Funds, as well as \$776,187 in the TTASC Debt Service Fund.

The remaining category of total net position, unrestricted net position, which shows a deficit of \$(21,993,911), is what may be used to meet the government's ongoing obligations and services to creditors and citizens.

Our analysis below focuses on the net position (Figure 1), and changes in net position (Figure 2), of the County's Governmental Activities.

Figure 1 - Net Position

	Governmental Activities		Percent Change
	2013	2014	2013 – 2014
<i>Current assets</i>	\$ 55,557,492	\$ 51,339,625	(7.6)%
<i>Capital assets, net</i>	61,623,654	64,430,107	4.6%
<i>Other noncurrent assets</i>	776,182	776,187	0%
Total Assets	117,957,328	116,545,919	(1.2)%
<i>Current liabilities</i>	13,019,199	14,949,939	17.6%
<i>Noncurrent liabilities</i>	78,643,946	83,203,238	5.4%
Total Liabilities	91,663,145	98,153,177	7.1%
<i>Net investment in capital assets</i>	38,222,532	36,499,670	(4.5)%
<i>Restricted</i>	3,263,389	3,886,983	19.1%
<i>Unrestricted</i>	(15,191,738)	(21,993,911)	44.8%
Total Net Position	\$ 26,294,183	\$ 18,392,742	(30.1)%

Current assets showed an decrease of \$(4,217,867), primarily due to increases in cash and receivables offset by a decrease in restricted cash, the result of a decrease in unspent debt proceeds to fund bridge projects. Capital assets, net of accumulated depreciation, of \$64,430,107 at December 31, 2014 increased by \$2,806,453, primarily as a result of capital investment exceeding depreciation expense. 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, 2014

Current liabilities increased from the prior year due to higher amounts for returned school taxes to be remitted to the school districts and a larger current portion of bonds payable compared to the prior year. The increase in noncurrent liabilities reflects the increase in other postemployment liability of \$5,767,644, offset by a decrease in the noncurrent portion of bonds payable of \$1,735,000 resulting from repayment of debt.

The change in net investment in capital assets is due to the increase in net book value of capital assets, and decreases in associated debt and unspent bond proceeds. Restricted net position increased primarily as a result of increases in capital reserves for the new financial management system in the Capital Fund.

The County's total revenues decreased by (4.9)%, while the total cost of all programs and services decreased (0.4)%. Our analysis in Figure 2 considers the operations of Governmental Activities.

Figure 2 - Changes in Net Position

	Governmental Activities		Percent Change
	2013	2014	2013 - 2014
REVENUES			
<i>Program Revenues:</i>			
Charges for services	\$ 10,817,552	\$ 6,635,538	(38.7)%
Operating grants and contributions	17,150,541	16,942,556	(1.2)%
Capital grants and contributions	1,763,335	2,202,024	24.9%
<i>General Revenues:</i>			
Property taxes and tax items	24,999,515	24,595,558	(1.6)%
Sales and other taxes	19,574,612	20,549,744	4.9%
Tobacco settlement	793,461	679,016	(14.4)%
Use of money and property	103,122	93,226	(9.6)%
Other	775,464	548,959	(29.2)%
Total Revenues	\$ 75,977,602	\$ 72,246,621	(4.9)%
PROGRAM EXPENSES			
General government	16,055,887	18,183,082	13.2%
Education	4,269,886	4,501,850	(4.3)%
Public safety	13,573,156	13,541,722	5.4%
Public health	9,971,719	7,750,001	(0.2)%
Transportation	6,792,917	7,968,054	(22.3)%
Economic assistance and opportunity	25,294,975	23,992,399	17.3%
Culture and recreation	299,774	352,642	(5.2)%
Home and community	2,669,670	2,220,473	17.6%
Interest on debt	1,541,778	1,637,839	(16.8)%
Total Expenses	\$ 80,469,762	\$ 80,148,062	(0.4)%
(DECREASE) IN NET POSITION	\$ (4,492,160)	\$ (7,901,441)	(75.9)%

COUNTY OF TIOGA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

Governmental Activities

Revenues

- Charges for services decreased approximately \$4.2 million, or 38.7%, primarily due to a decrease in Internal Service Fund charges of approximately \$1.7 million, resulting from the withdrawal of participants as the County transitions to a health retirement savings account plan. Also contributing to the decrease were decreases in mental health fees of approximately \$557,000 and a decline in charges for home nursing charges of \$1.86 million, as the county closed its Home Care Program in 2014.
- Operating grants and contributions decreased approximately \$208,000 or 1.2% in 2014 from the prior year. This is the net result of increases and decreases in various state and federal aid streams including increases in state aid for the education of handicapped children, federal aid for mental health, and state and federal transportation aid offset by decreases in federal aid for family services and services for recipients.
- Capital grants increased from 2013 by 24.9% or about \$438,000. This increase, compared to the prior year, is primarily due to reductions in State consolidated highway aid and state and federal aid for emergency disaster assistance in 2014.
- Property tax and tax items decreased approximately \$404,000, or 1.6%, primarily because there were larger gains from the sale of tax acquired property in 2013.
- Non-property tax items consist primarily of sales and use taxes and showed an increase of \$975,000 in 2014, largely the result of greater spending in the community.
- Other revenue decreased approximately \$226,000, or 29.2%, compared to the prior year, largely due to auction sales in 2013.

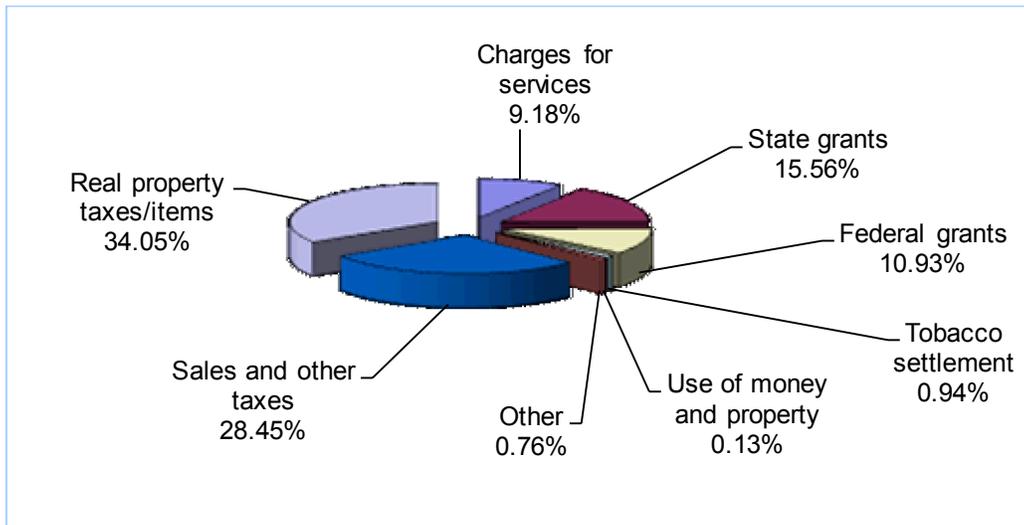
Expenses

- General government expenses increased by approximately \$2.1 million, most of which was primarily the result of distributions of insurance close-outs resulting from the closure of the governmental insurance consortium in 2013.
- The increase in education expense of over \$237,000 stems from an increase in the County's contribution to the local community college of about \$48,000 and an increase in demand for services for education of handicapped children.
- Public health expenses decreased by approximately \$2.2 million, primarily as a result of decreases in public health salaries and contractual expenditures, as well as the decrease in the allocation of the change in other postemployment benefits.
- Economic assistance and opportunity expenses were approximately \$1.3 million lower in 2014, primarily due to decreases in Medicaid transportation expenses and child care contractual expenditures resulting from fewer foster children requiring services in 2014.
- Home and community services decreased by nearly \$450,000 compared to 2013, due primarily to flood mitigation projects winding down.
- Interest on debt increased 6.2% because no interest was due until 2014 on the \$9.995 million bond issued in 2013.

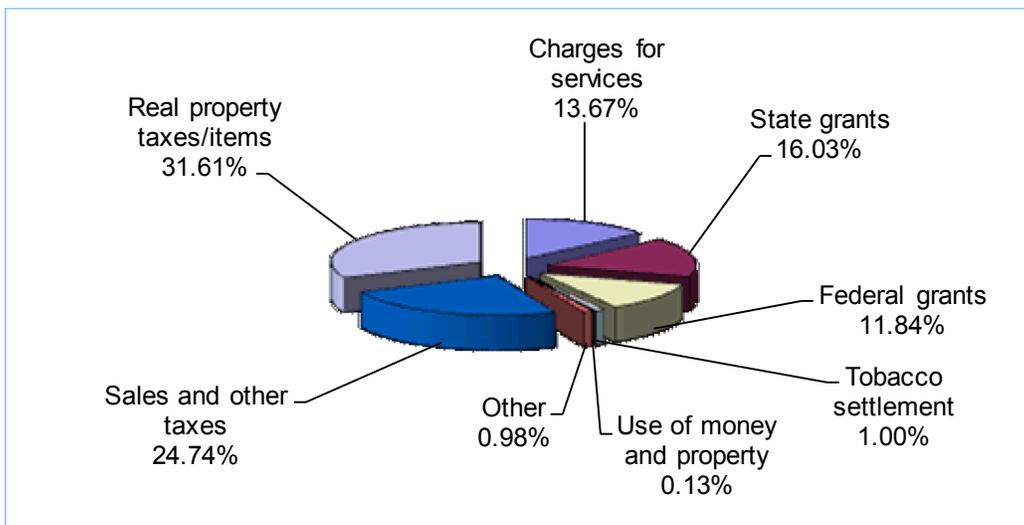
COUNTY OF TIOGA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2014

Figures 3 and 4 show the sources of revenue for 2014 and 2013,

**Figure 3 - Revenue by Source
Governmental Activities
2014**

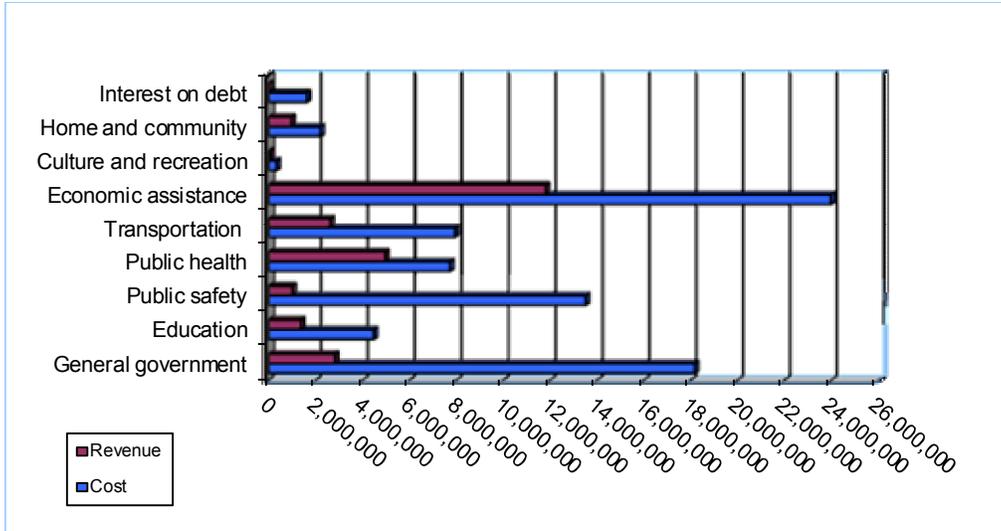


**Figure 4 - Revenue by Source
Governmental Activities
2013**

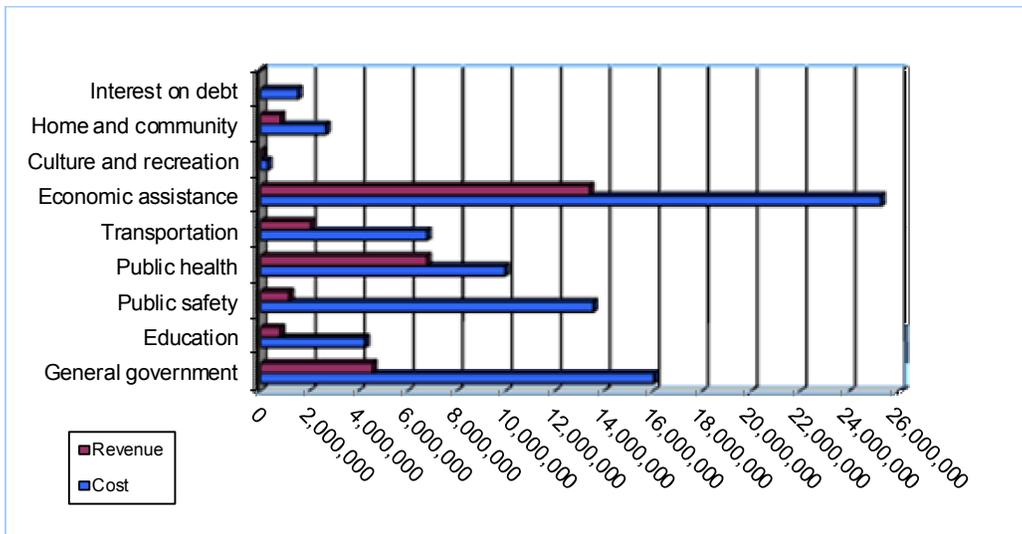


COUNTY OF TIOGA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2014

**Figure 5 - Net Program Cost
 Governmental Activities
 2014**



**Figure 6 - Net Program Cost
 Governmental Activities
 2013**



COUNTY OF TIOGA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2014

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, unassigned 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, 2014, the County's operating fund, the General Fund, reported a fund balance of \$16,934,946, compared with the prior year's fund balance of \$14,268,543; an increase of \$2,666,403. Fund balance in the General Fund includes unassigned, fund balance of \$13,193,503, which is available for spending at management's discretion. The County has assigned \$2,477,096 of the total fund balance for 2015 budget appropriations and prior year encumbrances. The remainder of the fund balance is restricted or non-spendable to indicate it is not available for spending, because it is primarily committed to other purposes of \$417,236 or consists of prepaid expenses of \$847,111. The Capital Projects Fund reported a fund balance of \$15,606,317, compared with the prior year's fund balance of \$19,821,007, a decrease of \$(4,214,690), due to capital projects expenditures funded by unspent bond proceeds and capital reserves. The County's Non-Major Governmental Funds reported fund balances of \$2,542,865, compared with prior year fund balances of \$2,592,372; a decrease of \$(67,507) from the prior year.

General Fund Budgetary Highlights

For 2014, actual expenditures in the General Fund were \$7.0 million or 10.2% lower than the revised budget, while actual revenues were \$4.7 million, or 6.7% lower than the revised revenue estimate. The General Fund budget was decreased by approximately \$2.1 million during the year to \$73.5 million. Decreases were primarily due to lower than expected general governmental support, public safety, and transfers to the County Road and Road Machinery Funds.

Real Property taxes and tax items revenue was approximately \$23.4 million in 2014, which was approximately \$270,500 less than budgeted. The County, at December 31, 2014, had a maximum taxing power of \$42,058,396. Non-property tax revenues were approximately \$19.9 million in 2014, \$469,000 more than budgeted. Departmental revenue was less than budgeted primarily due to lower other general departmental income (\$499,000), mental health fees (\$446,000), and lower repayments for child care (\$116,000). The largest appropriation variances, including encumbrances, were:

<u>Function</u>	<u>Expenditures and Encumbrances</u>	<u>Under Budget</u>
Public Safety	\$ 7,155,154	\$ 2,745,075
Economic Assistance	19,660,246	1,237,683
Employee Benefits	11,074,461	1,308,642

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its Governmental Activities as of December 31, 2014, amounted to \$64,430,107, net of accumulated depreciation, compared to \$61,623,654 at December 31, 2013. 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 4.6% compared to a decrease of 1.2% in 2013.

COUNTY OF TIOGA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

Figure 7 - Capital Assets, Net of Depreciation

	Governmental Activities		Percent Change
	2013	2014	2013 - 2014
<i>Land</i>	\$ 1,344,100	\$ 1,344,100	0.0%
<i>Construction in progress</i>	381,108	209,405	(45.1)%
<i>Buildings and improvements</i>	31,495,467	34,356,349	9.1%
<i>Equipment</i>	13,769,108	14,206,675	3.2%
<i>Infrastructure</i>	59,891,354	64,024,435	6.9%
Total Capital Assets at Historical Cost	106,881,137	114,140,964	6.8%
<i>Accumulated depreciation</i>	(45,257,483)	(49,710,857)	9.8%
Total Capital Assets, Net of Accumulated Depreciation	\$ 61,623,654	\$ 64,430,107	4.6%

This year's additions consisted of:

Construction in progress	\$ 178,382
Infrastructure	3,782,996
Buildings	2,860,882
Machinery and equipment	<u>819,221</u>
 Total Additions	 7,641,481
 Depreciation expense	 (4,746,858)
Net book value of disposed assets	<u>(88,170)</u>
 Total Change in Capital Assets, net of Accumulated Depreciation	 \$ <u>(2,806,453)</u>

Debt Administration

At the end of 2014, the County and its blended component unit had total debt outstanding, in the form of serial bonds, of \$34,132,724. The County's debt of \$18,020,000 is backed by the full faith and credit of the County. Of this amount, \$18,020,000 is subject to the County's statutory debt limit of \$173,181,631, which represents approximately 10.4% of the County's debt limit. The blended component unit, Tioga Tobacco Asset Securitization Corporation, has debt of \$16,112,724, which is backed by future Tobacco Settlement Revenues.

Figure 8 - Outstanding Debt at Years Ended

	Governmental Activities	
	2013	2014
<i>Beginning outstanding debt</i>	\$ 25,895,236	\$ 35,046,076
<i>Issuance of serial bonds</i>	9,995,000	-0-
<i>Addition of accreted interest on TTASC bonds</i>	285,840	306,648
<i>Paid during the year</i>	(1,130,000)	(1,220,000)
Totals	\$ 35,046,076	\$ 34,132,724

COUNTY OF TIOGA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

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 A1 to the County's most recent debt issuance.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- The County Legislature is sensitive to property tax burdens on the residents of County and is working diligently on keeping taxes low and finding ways to have the County run more efficiently at a lower cost. In developing the 2015 Budget, the County increased appropriations by a total of \$777,835. There will also be an increase in revenues by \$1,885,881. The tax increase for 2015 is 2.7470%, or \$605,654, which is well under the 2% cap set by the state.
- Through the first 6 months of 2015 sales tax revenue is down 0.71 % under 2014. Lower energy prices may be a significant contributor. Sales tax revenue is expected to be within budget in 2015.
- During the fourth quarter of 2013, the County moved forward to privatize the Home Health Care organization while keeping the same level of service to our residents. The elimination of the CHAA program in Public Health will continue to have an impact in 2015 both reducing costs and revenue.
- In August of 2013, the County issued another \$10 million in bonds at a rate of 2.3% with a ten year maturity. In 2014 funds was used to replace two roofs and make energy improvements to the buildings (\$2 million), and another set of bridge repairs and replacements (\$8 million will be used) in coming years. The cost savings from the 2014 Energy Improvements of approximately \$100,000 should be realized in 2015.
- There have been significant appropriations in 2015 budget specific to the Capital Fund. The County plans to meet our infrastructure schedule by replacing 6 bridges in 2015 along with 3 major road paving projects. Bond #2 proceeds continue to finance the bridges.
- Consolidated Health Fund was eliminated and the residual payouts in 2015 will contribute approximately \$400K to the fund balance.
- The County's Public Transportation System was eliminated in 2014. The estimated local share savings is \$500,000.00 for 2015. The county continues to offer alternative options through collaboration with Chemung County and continue to work with state DOT for Mobility Management funding and initiatives. Proceeds from the sale of the buses will contribute to fund balance in 2015.
- Employee benefits continue to challenge the 2015 budget, with \$12,069,653 budgeted for 2014 increasing to \$13,524,842 for 2015, a 12% increase overall, largely attributed to increasing health care expenses.

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 POSITION
DECEMBER 31, 2014

	Primary Government	Component Units	
	Governmental Activities	Industrial Development Agency	Soil and Water Conservation District
<u>ASSETS</u>			
Current Assets:			
Cash and cash equivalents	\$ 25,795,188	\$ 914,285	\$ 974,285
Restricted cash	8,857,482	1,378,201	
Investments		1,416,043	
Taxes receivable, net	6,404,030		
Accounts receivable, net	1,695,772	57,529	346,864
Loans and leases receivable - current portion	352,031	100,136	
Due from state and federal governments	7,345,204		
Due from other governments	40,506		
Prepaid expenses	849,412		5,071
Total Current Assets	<u>51,339,625</u>	<u>3,866,194</u>	<u>1,326,220</u>
Noncurrent Assets:			
Restricted cash and cash equivalents	776,187		
Loans and leases receivable, long-term portion		636,608	
Capital assets-land and construction in progress	1,553,505		
Capital assets-depreciable, net of accumulated depreciation	62,876,602	1,786,508	589,582
Total Noncurrent Assets	<u>65,206,294</u>	<u>2,423,116</u>	<u>589,582</u>
 Total Assets	 <u>116,545,919</u>	 <u>6,289,310</u>	 <u>1,915,802</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts payable	1,928,334	6,230	85,751
Accrued liabilities	1,041,720		17,373
Interest payable	217,998		
Due to other governments	5,126,523	600,073	
Compensated absences	909,415		
Contract advances			325,616
Unearned revenue	2,717,490		
Self insurance accruals	1,168,459		
Long-term obligations due within one year	1,840,000	88,837	
Total Current Liabilities	<u>14,949,939</u>	<u>695,140</u>	<u>428,740</u>
Long-term obligations due after one year	83,203,238	1,053,452	20,247
 Total Liabilities	 <u>98,153,177</u>	 <u>1,748,592</u>	 <u>448,987</u>
<u>NET POSITION</u>			
Net investment in capital assets	36,499,670	1,786,508	589,582
Restricted	3,886,983	348,522	303,443
Unrestricted	(21,993,911)	2,405,698	573,790
 Total Net Position	 <u>\$ 18,392,742</u>	 <u>\$ 4,540,728</u>	 <u>\$ 1,466,815</u>

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<u>FUNCTIONS/PROGRAMS</u>				
Primary Government:				
Governmental Activities:				
General governmental support	\$ 18,183,082	\$ 2,529,416	\$ 296,602	\$ _____
Education	4,501,850	_____	1,388,501	_____
Public safety	13,541,722	725,151	302,757	_____
Health	7,750,001	2,354,321	2,635,332	_____
Transportation	7,968,054	_____	1,252,115	1,395,498
Economic assistance and opportunity	23,992,399	932,564	10,888,842	_____
Culture and recreation	352,642	_____	52,958	47,338
Home and community services	2,220,473	94,086	125,449	759,188
Interest on debt	1,637,839	_____	_____	_____
Total Primary Government	\$ 80,148,062	\$ 6,635,538	\$ 16,942,556	\$ 2,202,024
Component Units:				
Industrial Development Agency	380,564	223,827	92,327	_____
Soil and Water Conservation	2,017,955	168,916	1,536,361	_____
Total Component Units	\$ 2,398,519	\$ 392,743	\$ 1,628,688	\$ -0-

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

GENERAL REVENUES

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 Position

Net Position - Beginning

Restatement

Net Position - Ending

See Independent Auditor's Report and Notes to Financial Statements

Net (Expense) Revenue and
Changes in Net Position

Primary Government	Component Units	
Total Governmental Activities	Industrial Development Agency	Soil and Water Conservation District
\$ (15,357,064)	\$ _____	\$ _____
<u>(3,113,349)</u>	_____	_____
<u>(12,513,814)</u>	_____	_____
<u>(2,760,348)</u>	_____	_____
<u>(5,320,441)</u>	_____	_____
<u>(12,170,993)</u>	_____	_____
<u>(252,346)</u>	_____	_____
<u>(1,241,750)</u>	_____	_____
<u>(1,637,839)</u>	_____	_____
<u>(54,367,944)</u>	<u>-0-</u>	<u>-0-</u>
_____	<u>(64,410)</u>	_____
_____	_____	<u>(312,678)</u>
_____	<u>(64,410)</u>	<u>(312,678)</u>
<u>(54,367,944)</u>	<u>(64,410)</u>	<u>(312,678)</u>
<u>24,595,558</u>	_____	_____
<u>20,549,744</u>	_____	_____
_____	_____	<u>189,234</u>
<u>679,016</u>	_____	_____
<u>93,226</u>	<u>7,361</u>	_____
<u>449,110</u>	_____	<u>1,839</u>
<u>99,849</u>	_____	_____
<u>46,466,503</u>	<u>7,361</u>	<u>191,073</u>
<u>(7,901,441)</u>	<u>(57,049)</u>	<u>(121,605)</u>
<u>26,294,183</u>	<u>4,597,777</u>	<u>1,514,406</u>
_____	_____	<u>74,014</u>
<u>\$ 18,392,742</u>	<u>\$ 4,540,728</u>	<u>\$ 1,466,815</u>

COUNTY OF TIOGA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	Major Funds		Total	Total
	General Fund	Capital Projects Funds	Non-Major Governmental Funds	Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents - Unrestricted	\$ 13,075,438	\$ 7,665,954	\$ 1,760,814	\$ 22,502,206
- Restricted		8,857,482	776,187	9,633,669
Taxes receivable, net	6,404,030			6,404,030
Other receivables, net	1,006,230	250	679,016	1,685,496
Due from other funds	3,258,689	1,917,467	548,193	5,724,349
Due from state and federal governments	6,555,906	771,432	17,866	7,345,204
Due from other governments	40,506			40,506
Prepaid expenses	847,111		2,301	849,412
Loans receivable			352,031	352,031
 Total Assets	 <u>\$ 31,187,910</u>	 <u>\$ 19,212,585</u>	 <u>\$ 4,136,408</u>	 <u>\$ 54,536,903</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 1,232,323	\$ 448,594	\$ 132,357	\$ 1,813,274
Accrued liabilities	974,111	2,129	61,528	1,037,768
Due to other funds	2,605,343	2,541,751	690,539	5,837,633
Due to other governments	4,512,729	613,794		5,126,523
Retained percentages				-0-
Unearned revenue	2,669,387		48,103	2,717,490
Total Liabilities	<u>11,993,893</u>	<u>3,606,268</u>	<u>932,527</u>	<u>16,532,688</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue	<u>2,259,071</u>		<u>679,016</u>	<u>2,938,087</u>
<u>FUND BALANCES</u>				
Nonspendable	847,111		2,301	849,412
Restricted	417,236	8,857,482	814,551	10,089,269
Assigned	2,477,096	6,748,835	1,708,013	10,933,944
Unassigned	13,193,503			13,193,503
 Total Fund Balances	 <u>16,934,946</u>	 <u>15,606,317</u>	 <u>2,524,865</u>	 <u>35,066,128</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$ 31,187,910</u>	 <u>\$ 19,212,585</u>	 <u>\$ 4,136,408</u>	 <u>\$ 54,536,903</u>

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2014

Total Governmental Fund Balances \$ 35,066,128

Amounts reported for Governmental Activities in the Statement of Net Position 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.8

Historical cost of capital assets	\$ 114,140,964	
Less accumulated depreciation	<u>(49,710,857)</u>	<u>64,430,107</u>

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 2,938,087

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 Position. (2,780,929)

Certain accrued expenses, such as interest on debt, reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported as liabilities in Governmental Funds. (217,998)

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.2, 2.B.3 and 2.B.4.

Bonds payable	\$ (32,012,915)	
Accreted interest on TASC bonds	(2,119,809)	
Other postemployment benefit liability	(46,000,514)	
Compensated absences	<u>(909,415)</u>	<u>(81,042,653)</u>

Net Position of Governmental Activities \$ 18,392,742

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, 2014

	Major Funds		Total Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Capital Projects Funds		
<u>REVENUES</u>				
Real property taxes	\$ 20,828,048	\$	\$ 917,346	\$ 21,745,394
Real property tax items	2,562,471		60,136	2,622,607
Nonproperty tax items	19,892,019	657,725		20,549,744
Departmental income	4,697,165		83,264	4,780,429
Intergovernmental charges	555,946			555,946
Use of money and property	48,711	27,409	8,456	84,576
Licenses and permits	37,949			37,949
Fines and forfeitures	99,849			99,849
Sale of property and compensation for loss	20,000		53,803	73,803
Miscellaneous local sources	463,200			463,200
Tobacco settlement revenue			793,461	793,461
Interfund revenues	279			279
State sources	9,509,821	1,520,646	214,110	11,244,577
Federal sources	7,138,990	477,502	283,511	7,900,003
Total Revenues	<u>65,854,448</u>	<u>2,683,282</u>	<u>2,414,087</u>	<u>70,951,817</u>
<u>EXPENDITURES</u>				
Current:				
General governmental support	10,660,758		40,341	10,701,099
Education	4,501,850			4,501,850
Public safety	7,131,869			7,131,869
Health	4,740,561			4,740,561
Transportation	1,179,181		1,780,186	2,959,367
Economic assistance and opportunity	19,629,686		200,955	19,830,641
Culture and recreation	338,028			338,028
Home and community services	704,465		1,371,519	2,075,984
Employee benefits	11,074,461		932,671	12,007,132
Debt service (principal and interest)	1,822,886		741,681	2,564,567
Capital outlay		8,517,647		8,517,647
Total Expenditures	<u>61,783,745</u>	<u>8,517,647</u>	<u>5,067,353</u>	<u>75,368,745</u>
Excess of Revenues (Expenditures)	4,070,703	(5,834,365)	(2,653,266)	(4,416,928)
<u>OTHER FINANCING SOURCES (USES)</u>				
Interfund transfers in	2,824,303	1,642,844	2,585,759	7,052,906
Interfund transfers (out)	(4,228,603)	(23,169)		(4,251,772)
Total Other Financing Sources (Uses)	<u>(1,404,300)</u>	<u>1,619,675</u>	<u>2,585,759</u>	<u>2,801,134</u>
Excess of Revenues (Expenditures) and Other Financing Sources (Uses)	2,666,403	(4,214,690)	(67,507)	(1,615,794)
Fund Balances, Beginning	14,268,543	19,821,007	2,592,372	36,681,922
Fund Balances, Ending	<u>\$ 16,934,946</u>	<u>\$ 15,606,317</u>	<u>\$ 2,524,865</u>	<u>\$ 35,066,128</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, 2014

Net Change in Fund Balances - Total Governmental Funds \$ (1,615,794)

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	\$ 7,641,481	
Net book value of disposed assets	(88,170)	
Depreciation expense	<u>(4,746,858)</u>	<u>2,806,453</u>

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	<u>113,112</u>
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Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Repayment of principal	<u>1,220,000</u>
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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	\$ (11,610)	
Change in postemployment benefits liability	(5,767,644)	
Change in accrued interest payable	13,376	
Change in accreted interest on TASC capital appreciation bonds	<u>(306,648)</u>	<u>(6,072,526)</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.	<u>(4,352,686)</u>
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Change in Net Position of Governmental Activities	<u>\$ (7,901,441)</u>
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See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2014

	<u>Governmental Activities Internal Service Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash and cash equivalents	\$ <u>3,292,982</u>
Accounts receivable, net	<u>10,276</u>
Due from other funds	<u>139,481</u>
Total Current Assets	<u>3,442,739</u>
Total Assets	<u>3,442,739</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts payable	<u>115,060</u>
Accrued liabilities	<u>3,952</u>
Due to other funds	<u>26,197</u>
Self insurance accruals	<u>1,168,459</u>
Total Current Liabilities	<u>1,313,668</u>
Noncurrent Liabilities:	
Benefits and awards payable	<u>4,910,000</u>
Total Noncurrent Liabilities	<u>4,910,000</u>
Total Liabilities	<u>6,223,668</u>
<u>NET POSITION</u>	
Unrestricted	<u>(2,780,929)</u>
Total Net Position (Deficit)	<u>\$ (2,780,929)</u>

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Governmental Activities Internal Service Fund</u>
<u>OPERATING REVENUES</u>	
Charges for services - External participants	\$ <u>1,949,239</u>
Other operating revenues	<u>41,811</u>
Total Operating Revenues	<u>1,991,050</u>
<u>OPERATING EXPENSES</u>	
Salaries and wages	<u>284,512</u>
Contractual	<u>581,684</u>
Benefits and awards	<u>2,674,681</u>
Claims and judgments	<u>10,375</u>
Total Operating Expenses	<u>3,551,252</u>
(Loss) from Operations	<u>(1,560,202)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Interest income	<u>8,650</u>
Transfer to other funds	<u>(2,801,134)</u>
Total Nonoperating (Expenses)	<u>(2,792,484)</u>
Net (Loss) Before Transfers	<u>(4,352,686)</u>
Change in Net Position	<u>(4,352,686)</u>
Net Position, January 1,	<u>1,571,757</u>
Net Position (Deficit), December 31,	<u>\$ (2,780,929)</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, 2014

	<u>Governmental Activities</u> <u>Internal Service Fund</u>
Cash Flows from Operating Activities:	
Cash received from providing services - Governmental participants	\$ (119,954)
- External participants	<u>1,938,965</u>
Cash received from insurance recoveries	<u>41,811</u>
Cash payments - Employees	<u>(285,224)</u>
Cash payments - Claims and benefits	<u>(2,677,490)</u>
Cash payments - Vendors	<u>(544,318)</u>
Net Cash (Used) by Operating Activities	<u>(1,646,210)</u>
Cash Flows from Non-capital Financing Activities	
Transfer to external participants	-0-
Transfer to other funds	<u>(2,801,134)</u>
Net Cash Used by Non-capital Financing Activities	<u>(2,801,134)</u>
Cash Flows from Capital and Related Financing Activities	-0-
Net Cash Provided by Capital and Related Financing Activities	<u>-0-</u>
Cash Flows from Investing Activities:	
Interest income received	<u>8,650</u>
Net (Decrease) in Cash and Cash Equivalents	<u>(4,438,694)</u>
Cash and Cash Equivalents, January 1,	<u>7,731,676</u>
Cash and Cash Equivalents, December 31,	<u>\$ 3,292,982</u>
Reconciliation of Income from Operations to Net Cash (Used) by Operating Activities:	
(Loss) from operations	\$ (1,560,202)
(Increase) in interfund receivable	<u>(137,291)</u>
(Increase) in other receivables	<u>(10,274)</u>
Increase in interfund payable	<u>17,337</u>
Increase in accounts payable	<u>37,366</u>
(Decrease) in accrued liabilities	<u>(712)</u>
Increase in self insurance accruals	<u>7,566</u>
Net Cash Provided by Operating Activities	<u>\$ (1,646,210)</u>

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
DECEMBER 31, 2014

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<u>ASSETS</u>		
Cash and cash equivalents - Unrestricted	\$ 28,713	\$ 397,308
Accounts receivable		200
Total Assets	<u>28,713</u>	<u>\$ 397,508</u>
<u>LIABILITIES</u>		
Agency liabilities	<u>360</u>	<u>\$ 397,508</u>
Total Liabilities	<u>360</u>	<u>\$ 397,508</u>
<u>NET POSITION</u>		
Held in trust for private purposes	<u>\$ 28,353</u>	

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Private Purpose Trust Funds
<u>ADDITIONS</u>	
Contributions	\$ 5,100
Investment earnings	26
Total Additions	5,126
 <u>DEDUCTIONS</u>	
Distributions	5,935
Total Deductions	5,935
Change in Net Position	(809)
Net Position - Beginning	29,162
Net Position - Ending	\$ 28,353

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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). 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 statements to be misleading or incomplete, as set forth in GASB Statement No. 14, "The Financial Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units," and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus - an Amendment to GASB Statements No. 14 and 34.

The decision to include a component unit in the County's reporting entity is based on several criteria set forth in GASB Statement No. 14, as amended by GASB Statement Nos. 39 and 61, including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities considered in determining the County's reporting entity.

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 instrument 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 members 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 (the 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 the 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 Position 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 position resulting from the current year's activities.

In the Government-wide Statement of Net Position, 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 position is reported in three parts - invested in capital assets, restricted; and unrestricted. The County first utilizes restricted resources to finance qualifying activities.

COUNTY OF TIOGA
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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 Governmental 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:

a. 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:

1) Major Funds:

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

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

2) 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
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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.

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.

b. 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.

c. 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)
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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 Position. The Statement of Activities presents changes in net position. 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 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 position and displayed in three components:

Net Investment in Capital Assets - 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
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Restricted - Consists of net resources 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 - Consists remaining net resources that does not meet the definition of "restricted" or "net investment in capital assets."

2. Governmental Fund Financial Statements

Governmental Fund equity is classified as fund balance. Proprietary Fund equity is classified the same as in the Government-wide financial statements. 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.

Constraints are broken into five classifications: nonspendable, restricted, committed, assigned, and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

- **Nonspendable**

Consists of assets inherently nonspendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and endowments principal.

- **Restricted**

Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation. Most of the County's legally adopted reserves are reported here.

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

- **Committed**

Consists of amounts subject to a purpose constraint imposed by formal action of the government's highest level of decision-making authority prior to the end of the fiscal year, which requires the same level of formal action to remove said constraint.

- **Assigned**

Consists of amounts subject to a purpose constraint representing an intended use established by the government's highest level of decision-making authority, or their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.

- **Unassigned**

Represents the residual classification of the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance resulting from overspending amounts restricted, committed, or assigned for specific purposes.

COUNTY OF TIOGA
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The County has not adopted any resolutions to commit fund balance. Currently, fund balance is assigned by the County Treasurer for encumbrances and designations and the County Legislature, by resolution, approves fund balance appropriations for next year's budget. The County has not formally adopted a policy defining the order in which to apply expenditures against fund balances. However, the County's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

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' shares of tax levies, which are guaranteed by the County, are 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, 2014, the County reflected liabilities to the school districts of \$3,402,891 and the villages of \$458,937 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 2014 and are included in due to other governments in the General Fund as of December 31, 2014.

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, 2014, total real property tax receivable was \$7,492,085 (before deduction of an allowance for uncollectible taxes of \$1,088,055). The portion of the receivable representing current year returned village and school taxes was \$3,906,135. The remaining portion of the tax receivable is offset by deferred tax revenues of \$2,259,071, which represents an estimate of the tax liens, and will not be collected within the first 60 days of the subsequent year.

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 Capital Projects Fund's non-property tax item amounting to \$657,725 is sales tax designated for capital projects.

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 proceeds are considered discretionary to offset rising State mandates to counties.

The General Fund's primary non-property tax item is sales tax, which amounted to \$19,587,041. At December 31, 2014 this amount included an accrual of \$1,918,983, which is included in State and Federal receivables, for sales that occurred in the State of New York in 2014 and had not been received by the County at December 31, 2014. Of the \$19,587,041 recognized as revenue, \$5,198,353 was distributed to local municipalities within the County.

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

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 reported as deferred inflows of resources. In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements are met. Resources transmitted before time eligibility requirements are met are reported as deferred outflows of resources by the provider and deferred inflows of resources revenue by the recipient. Resources transmitted before all other eligibility requirements are met are reported as advances by the provider and unearned revenue by the recipient.

K. Deferred Outflows and Inflows of Resources

In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has no items that qualify for reporting in this category.

In addition to liabilities, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of deferred inflow, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental fund Balance Sheet. The governmental funds report unavailable revenues from loans receivable and taxes receivable that remain uncollected collected after 60 days after year-end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

L. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Proprietary Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
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FOR THE YEAR ENDED DECEMBER 31, 2014

M. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, it is the County's policy to apply restricted funds before unrestricted funds, unless otherwise prohibited by legal requirements.

N. 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 Position. 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

O. 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.4.

Employees are granted vacation leave credits of 10 to 20 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. Liability for compensated absences totaling \$909,415 is reported as an accrued liability in the Governmental Activities, as such amounts were not due and payable at December 31, 2014.

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
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P. 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.

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, 2014, per the bank, were \$35,368,293, with a carrying value of \$35,854,878 for the primary government which includes \$50,909 for the TTASC, and were either insured or collateralized with securities held by the pledging financial institution in the County's name. The TTASC also had liquidity reserves; recorded as restricted cash, in the amount \$776,187, 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.

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
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FOR THE YEAR ENDED DECEMBER 31, 2014

- 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.

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.
- Zero coupon obligations of the United States of America marketed as treasury strips.

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
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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 to the County or its custodial bank.

e. Discretely Presented Component Unit - Industrial Development Agency (Agency)

The Agency had cash with a carrying value of \$2,292,486. Deposits were either insured or collateralized with securities held by the pledging financial institution in the Agency's name. Cash and investments in the amount of \$1,378,201 were restricted for use as part of the Agency's Board designated, outside contractual and loan program restrictions. The Agency also had certificates of deposit of \$1,416,043, with interest rates of 0.45%, all of which mature in 2015.

f. Discretely Presented Component Unit - Soil and Water Conservation District (District)

The District had cash deposits with a carrying value of \$974,285. Total financial institution (bank) balances at December 31, 2014 were \$920,000, which were either insured or collateralized with securities held by the pledging financial institution in the District'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 costs at 2005 levels and limited growth rates to 3.5% in 2006, 3.25% in 2007, and permanently capped growth at 3% beginning in 2008. During the 2012 budget process, the New York State Legislature agreed to phase down the current 3% cap. In 2012, the County's payment will be based on its 2012 total Medicaid payment plus a 2% increase. In 2014, the County's payment will be based on its 2013 amount plus a 1% increase. For 2015 and thereafter, the payment will be based on the 2014 payment amount to the State for Medicaid.

This legislation fundamentally altered the Medicaid financing methodology, 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.

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

3. Receivables

a. 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.

b. 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 \$793,461 of tobacco settlement revenues for the year ended December 31, 2014. The amount recognized in the Statement of Activities, on the accrual basis, is \$679,016.

c. Other Accounts Receivable

Other accounts receivable as of December 31, 2014, are as follows:

Governmental Activities

Various fees and charges:

Recorded in the General Fund	\$ 1,006,230
Recorded in the Internal Service Fund	10,276
Tobacco settlement revenues recorded in the TTASC Fund	679,016
Insurance recoveries recorded in the Capital fund	<u>250</u>

Total Other Accounts Receivable	\$ <u>1,695,772</u>
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COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

4. Capital Assets

a. Capital asset activity for the year ended December 31, 2014, was as follows:

	<u>Balance at</u> 12/31/13	<u>Additions</u>	<u>Reclassifications</u> <u>and</u> <u>Deletions</u>	<u>Balance at</u> 12/31/14
<u>Governmental Activities</u>				
Non-Depreciable Capital Assets:				
Land and land improvements	\$ 1,344,100	\$	\$	\$ 1,344,100
Construction in progress	381,108	178,382	(350,085)	209,405
Total Non-Depreciable Capital Assets	<u>1,725,208</u>	<u>178,382</u>	<u>(350,085)</u>	<u>1,553,505</u>
Depreciable Capital Assets:				
Buildings	31,495,467	2,860,882		34,356,349
Machinery and equipment	13,769,108	819,221	(381,654)	14,206,675
Infrastructure	59,891,354	3,782,996	350,085	64,024,435
Total Depreciable Capital Assets	<u>105,155,929</u>	<u>7,463,099</u>	<u>(31,569)</u>	<u>112,587,459</u>
Total Historical Cost	<u>106,881,137</u>	<u>7,641,481</u>	<u>(381,654)</u>	<u>114,140,964</u>
Less Accumulated Depreciation:				
Buildings	(8,636,384)	(925,000)		(9,561,384)
Machinery and equipment	(9,677,600)	(1,101,380)	293,484	(10,485,496)
Infrastructure	(26,943,499)	(2,720,478)		(29,663,977)
Total Accumulated Depreciation	<u>(45,257,483)</u>	<u>(4,746,858)</u>	<u>293,484</u>	<u>(49,710,857)</u>
Governmental Activities Capital Assets, Net	<u>\$ 61,623,654</u>	<u>\$ 2,894,623</u>	<u>\$ (88,170)</u>	<u>\$ 64,430,107</u>

Depreciation expense was charged to functions as follows:

Governmental Activities

General government support	\$ 831,261
Public safety	509,766
Public health	87,050
Transportation	3,250,455
Economic assistance and opportunity	61,794
Home and community services	6,532

Total Governmental Activities Depreciation Expense \$ 4,746,858

b. Capital asset activity for the Industrial Development Agency for the year ended December 31, 2014, was as follows:

	<u>Balance at</u> 12/31/13	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> 12/31/14
Land and land improvements	\$ 695,216	\$ 201,130	\$	\$ 896,346
Railroad tracking and facilities	1,976,669			1,976,669
Machinery and equipment	3,721			3,721
Total Historical Cost	<u>2,675,606</u>	<u>201,130</u>	<u>-0-</u>	<u>2,876,736</u>
Less Accumulated Depreciation	<u>(1,066,923)</u>	<u>(23,305)</u>		<u>(1,090,228)</u>
Capital Assets, Net	<u>\$ 1,608,683</u>	<u>\$ 177,825</u>	<u>\$ -0-</u>	<u>\$ 1,786,508</u>

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
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- c. Capital asset activity for the Soil and Water Conservation District for the year ended December 31, 2014, was as follows:

	Balance at 12/31/13	Additions	Deletions	Balance at 12/31/14
Office equipment	\$ 27,784	\$ 4,523	\$ (6,612)	\$ 25,695
Program buildings and equipment	1,341,980	20,412	(30,656)	1,331,736
Total Historical Cost	1,369,764	24,935	(37,268)	1,357,431
Less Accumulated Depreciation	(693,417)	(111,700)	37,268	(767,849)
Capital Assets, Net	<u>\$ 676,347</u>	<u>\$ (86,765)</u>	<u>\$ -0-</u>	<u>\$ 589,582</u>

B. Liabilities

1. Pension Plans

a. 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.

b. 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. Those joining NYSERS on or after January 1, 2010 but before April 1, 2012 are required to contribute 3% of their annual salary for their entire working career. Those joining on or after April 1, 2012 will contribute for their entire membership, but their contributions will range from 3% to 6% depending on their salary. 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, 2014

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>
2014	\$ 2,962,866
2013	3,421,461
2012	3,082,607

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, 2014, 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 was no remaining liability for these incentive programs at December 31, 2014.

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 2014, 191 retirees participated in this program. When a retiree hired on or before 1991 elects such coverage, the individual payment is \$80 per month and the family payment is \$185 per month. For retirees hired after 1991, through 2005, the cost is 50% of the monthly premium. For those hired after 2005, the retiree's cost is 20-70% of the premium, dependent upon years of service with the County. 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 2014, the expected cost of this program was \$2,254,149.

The County follows GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." An actuarial valuation of the County Postretirement Health Care Plans (Plan) was performed as of January 1, 2013 for the years ending December 31, 2014 and 2013 and January 1, 2011 for the fiscal years ending December 31, 2012 and 2011.

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014, the actuarial valuation used an expected County contribution to the Plan of \$2,254,149. 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 No. 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	\$	8,649,662
Interest on net OPEB obligation		1,609,315
Adjustment to annual required contribution		<u>(2,237,184)</u>
Annual OPEB Cost (Expense)		8,021,793
Contributions made (expected)		<u>(2,254,149)</u>
Increase in Net OPEB Obligation		5,767,644
 Net OPEB Obligation - January 1, 2014		 <u>40,232,870</u>
 Net OPEB Obligation - December 31, 2014		 \$ <u><u>46,000,514</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2014 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2014	\$ <u>8,021,793</u>	28.1%	\$ <u>46,000,514</u>
12/31/2013	\$ <u>7,687,257</u>	25.6%	\$ <u>40,232,870</u>
12/31/2012	\$ <u>11,613,651</u>	21.5%	\$ <u>34,515,591</u>

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

As of December 31, 2014, the Plan was not funded. The actuarial accrued liability for benefits was \$84,685,800; there are no assets legally segregated for the Plan. The covered payroll (annual payroll of active employees covered by the Plan) was \$16,715,820 and the ratio of the Unfunded Actuarial Accrued Liability (UAAL) to the covered payroll was 507%. The amortization period of the UAAL is 30 years.

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, 2013, Actuarial Valuation Report, the projected unit credit actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 7.5% initially, reduced by decrements to an ultimate rate of 4.3% in 2084. The rate includes a 4% inflation assumption.

3. Long-term Debt

At December 31, 2014, the total outstanding indebtedness of the County aggregated to \$34,132,724. Of this amount, \$18,020,000 is subject to the statutory debt limit, and represents approximately 10.4% of the County's debt limit.

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 to finance the purchase of the County's future right, title and interest in the Tobacco Settlement Revenues.

In 2005, TTASC advance 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.

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

The following is a summary of serial bond indebtedness as of December 31, 2014:

Serial Bonds:	<u>Interest</u>	<u>Maturity</u>	<u>Amount</u>
Issued by TTASC:			
Series 2005	4.25-5.00%	12/31/2040	\$ 13,992,915
Add current year additions to accreted interest on capital appreciation bonds			<u>2,119,809</u>
Carrying value of TTASC bonds			16,112,724
Issued by the County:			
Public Improvement - 2010	3.360-9.069%	03/27/2030	8,025,000
Public Improvement - 2013	1.50-2.75%	08/15/2023	<u>9,995,000</u>
 Total Serial Bonds			 <u>\$ 34,132,724</u>

The TTASC Series 2005 bonds are comprised of tax exempt turbo bonds in the amount of \$11,660,000 and \$2,332,915 of tax exempt turbo capital appreciation bonds. As of December 31, 2014, total accreted interest of \$2,119,809 has been accrued on the capital appreciation bonds, for a total carrying value of \$4,452,724.

4. 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.

- 1) **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 No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues." This liability is liquidated in the Internal Service Funds.

- 2) **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, 2014

5. Indebtedness and Certain Long-term Obligations

The following is a summary of changes in long-term obligations for the period ended December 31, 2014:

	<u>Balance at</u> <u>12/31/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>12/31/14</u>	<u>Amount</u> <u>Due within</u> <u>One Year</u>
Long-term Liabilities:					
Governmental Activities:					
Bonds Payable	\$ 33,232,915		\$(1,220,000)	\$ 32,012,915	\$ 1,840,000
Accreted Interest	<u>1,813,161</u>	<u>306,648</u>		<u>2,119,809</u>	
Carrying Value of Bonds	35,046,076	306,648	(1,220,000)	34,132,724	1,840,000
Other Long-term Liabilities:					
Compensated absences	897,805	11,610		909,415	909,415
Other postemployment benefits	40,232,870	5,767,644		46,000,514	
Self-insurance liabilities	<u>6,070,893</u>	<u>7,566</u>		<u>6,078,459</u>	<u>1,168,459</u>
Total Long-term Liabilities	<u>\$ 82,247,644</u>	<u>\$ 6,093,468</u>	<u>\$(1,220,000)</u>	<u>\$ 87,121,112</u>	<u>\$ 3,917,874</u>

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, 2014 are as follows:

<u>Year</u>	<u>County</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u> <u>Subsidy</u>	<u>Total</u>
2015	\$ 1,380,000	\$ 726,324	\$ (168,683)	\$ 1,937,641
2016	1,415,000	692,699	(168,684)	1,939,015
2017	1,450,000	652,775	(168,684)	1,934,091
2018	1,495,000	610,986	(165,415)	1,940,571
2019	1,535,000	566,684	(158,029)	1,943,655
2020-2024	7,070,000	2,042,346	(645,321)	8,467,025
2025-2029	2,990,000	826,286	(322,929)	3,493,357
2030-2034	<u>685,000</u>	<u>25,390</u>	<u>(11,425)</u>	<u>698,965</u>
Totals	<u>\$ 18,020,000</u>	<u>\$ 6,143,490</u>	<u>\$ (1,809,170)</u>	<u>\$ 22,354,320</u>

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

TTASC			
Year	Principal	Interest	Total
2015	\$ 460,000	\$ 486,537	\$ 946,537
2016	495,000	463,306	958,306
2017	530,000	437,750	967,750
2018	685,000	407,375	1,092,375
2019	730,000	372,000	1,102,000
2020-2024	4,445,000	1,238,875	5,683,875
2025-2029	5,256,714	3,070,174	8,326,888
2030-2034	798,624	5,324,601	6,123,225
2035-2039	574,528	5,898,720	6,473,248
2040-2041	18,049	239,208	257,257
Totals	\$ 13,992,915	\$ 17,938,546	\$ 31,931,461

Interest expense on bonds for the year ending December 31, 2014 is as follows:

	County	TTASC	Total
Interest paid	\$ 767,886	\$ 576,681	\$ 1,344,567
Accreted interest		306,648	306,648
Less: Prior year accrued interest	(231,374)		(231,374)
Plus: Current year accrued interest	217,998		217,998
Interest Expense	\$ 754,510	\$ 883,329	\$ 1,637,839

6. Discretely Presented Component Unit - Industrial Development Agency

The Industrial Development Agency has various outstanding loans payable to the County and USDA. Interest rates range from 1% to 3% with maturities between 2019 and 2039. Repayment of these loans is estimated as follows:

Year	Amount
2015	\$ 88,837
2016	92,006
2017	94,035
2018	96,117
2019	94,388
Thereafter	676,906
Total	\$ 1,142,289

Interest expense was \$15,607 for the year ended December 31, 2014.

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.

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Interfund Revenue</u>	<u>Interfund Expense</u>
General Fund	\$ 3,258,689	\$ 2,605,343	\$ 2,824,303	\$ 4,228,603
Capital Projects Funds	1,917,467	2,541,751	1,642,844	23,169
Non-Major Funds	<u>548,193</u>	<u>690,539</u>	<u>2,585,759</u>	<u>-0-</u>
Total Governmental Funds	5,724,349	5,837,633	7,052,906	4,251,772
Internal Service Funds	<u>139,481</u>	<u>26,197</u>	<u>-0-</u>	<u>2,801,134</u>
Total	<u>\$ 5,863,830</u>	<u>\$ 5,863,830</u>	<u>\$ 7,052,906</u>	<u>\$ 7,052,906</u>

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

D. Fund Balances

1. Restricted Fund Balances

- a. 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. Excess STOP DWI funds restricted in the General Fund at December 31, 2014 totaled \$151,673.
- b. The County Legislature required the County to designate revenues from the forfeiture of criminal proceeds for the purpose of crime prevention. Unexpended criminal prevention revenue restricted in the General Fund at December 31, 2014 was \$6,937.
- c. The County Legislature permits collection of fees for hotel/motel usage. Unexpended hotel/motel usage revenue restricted in the General Fund at December 31, 2014 was \$169,327.
- d. The County Legislature permits collection of fees from illegal handicapped parking. Unexpended handicapped parking revenue restricted in the General Fund at December 31, 2014 was \$1,010.
- f. The County transferred interest earned on unspent bond proceeds into a reserve for the payments of debt service on the bonds. The balance in the reserve at December 31, 2014 was \$88,289.
- g. The County Legislature adopted a resolution requiring the County to designate funds to be utilized for certain solid waste facility capital projects. The amount of unexpended solid waste facility revenue restricted in the Refuse and Garbage Fund at December 31, 2014 was \$38,364.
- h. The County created various reserves in the Capital Fund. They consist of the following balances:

Software reserve	\$ 643,789
Hardware reserve	230
Public land, structure and equipment	611,059
Financial management system	<u>1,400,118</u>
Total	<u>\$ 2,655,196</u>

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

2. Fund Balance Detail

At December 31, 2014, fund balance in the governmental funds was comprised of the following:

	<u>General Fund</u>	<u>Capital Projects Funds</u>	<u>Non-Major Funds</u>
<u>Nonspendable</u>			
Prepaid expenses	\$ 847,111	\$ _____	\$ 2,301
Total Nonspendable Fund Balance	<u>\$ 847,111</u>	<u>\$ -0-</u>	<u>\$ 2,301</u>
<u>Restricted</u>			
Miscellaneous reserves (See D.1.a-h. above)	\$ 417,236	\$ 2,655,196	\$ 38,364
Unspent debt proceeds		6,202,286	
TTASC liquidity reserve			<u>776,187</u>
Total Restricted Fund Balance	<u>\$ 417,236</u>	<u>\$ 8,857,482</u>	<u>\$ 814,551</u>
<u>Assigned</u>			
Appropriated for next year's budget	\$ 2,100,000	\$ 3,898,438	\$ 100,000
Encumbered for:			
General government	49,959	142,152	
Education	48,617		
Public safety	23,285		
Public health	47,971		
Transportation	1,777	26,447	
Economic assistance and opportunity	30,560		
Culture and recreation	45		
Home and community services	158,603		
Assigned for:			
General government			
Public safety	16,279		
Transportation			839,429
Home and community services			717,675
Debt payment			50,909
Capital projects		<u>2,681,798</u>	
Total Assigned Fund Balance	<u>\$ 2,477,096</u>	<u>\$ 6,748,835</u>	<u>\$ 1,708,013</u>
<u>Unassigned</u>			
Unassigned fund balance	\$ 13,193,503	\$ _____	\$ _____
Total Unassigned Fund Balance	<u>\$ 13,193,503</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

3. Reconciliation between Restricted Fund Balance and Restricted Net Position

Restricted fund balances and restricted net assets differ because unspent debt proceeds are reported as restricted fund balance in the fund financial statements and as a portion of invested in capital, net of related debt in the Statement of Net Position.

Restricted fund balance in the fund financial statements	\$ 10,089,269	
Less unspent debt proceeds	(6,202,286)	\$ 3,886,983
Restricted net position in the government-wide financial statements	\$ 3,886,983	

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.

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 \$(3,111,036) at December 31, 2014 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 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 net position of this fund was \$330,107 at December 31, 2014.

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NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
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The estimated accrued claims of \$5,885,000 reported in the Internal Service Funds at December 31, 2014 are based upon the requirements of GASB Statement No. 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, 2014 including discounted long-life workers' compensation awards within the Workers' Compensation Fund. Changes in the funds' liabilities for the year ended December 31, 2014 were:

	Liability Beginning of Year	Claims and Changes in Estimates	Claim Payments	Liability End of Year
Workers' compensation	\$ 5,750,000	\$ 590,825	\$ 590,825	\$ 5,750,000
Property and health claims	<u>320,893</u>	<u>2,101,797</u>	<u>2,094,231</u>	<u>328,459</u>
Total All Funds	<u>\$ 6,070,893</u>	<u>\$ 2,692,622</u>	<u>\$ 2,685,056</u>	<u>\$ 6,078,459</u>

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 2015, the County provided \$189,234 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 ending December 31, 2015, with the option to renew for four additional ten year periods.

Note 5 - Summary of Significant Commitments and Contingencies

State and Federally Assisted Programs

The County receives many different state and federal grants to be used for specific purposes. These grants are generally conditioned on compliance with certain statutory, regulatory, and/or contractual requirements. The County makes every effort to comply with all applicable requirements. However, because these grants are audited from time to time, it is possible that the County will be required, upon audit, to repay portions of the grant monies received and recorded as revenue in a prior year. County officials do not anticipate material grant-in-aid disallowances, and no provision, therefore, is reflected in the basic financial statements.

COUNTY OF TIOGA
 BUDGETARY COMPARISON SCHEDULE (NON-GAAP)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Original Budget	Final Budget	Actual	Encumbrances	Variance Favorable- (Unfavorable)
<u>REVENUES</u>					
Real property taxes	\$ 21,206,666	\$ 21,206,666	\$ 20,828,048	\$	\$ (378,618)
Real property tax items	2,454,332	2,454,332	2,562,471		108,139
Nonproperty tax items	18,597,712	19,422,815	19,892,019		469,204
Departmental income	5,947,496	5,758,696	4,697,165		(1,061,531)
Intergovernmental charges	576,400	614,460	555,946		(58,514)
Use of money and property	79,000	79,000	48,711		(30,289)
Licenses and permits	35,634	35,634	37,949		2,315
Fines and forfeitures	110,000	124,000	99,849		(24,151)
Sale of property and compensation for loss	30,000	30,000	20,000		(10,000)
Miscellaneous local sources	240,000	246,000	463,200		217,200
Interfund revenues			279		279
State sources	7,906,563	12,536,915	9,509,821		(3,027,094)
Federal sources	7,728,683	8,056,950	7,138,990		(917,960)
Total Revenues	64,912,486	70,565,468	65,854,448	-0-	(4,711,020)
<u>EXPENDITURES</u>					
Current:					
General governmental support	11,013,208	11,493,489	10,660,758	49,959	782,772
Education	3,952,000	4,567,565	4,501,850	48,617	17,098
Public safety	7,268,539	9,900,229	7,131,869	23,285	2,745,075
Health	5,099,444	5,379,735	4,740,561	47,971	591,203
Transportation		1,190,000	1,179,181	1,777	9,042
Economic assistance and opportunity	20,935,570	20,897,929	19,629,686	30,560	1,237,683
Culture and recreation	335,986	349,138	338,028	45	11,065
Home and community services	737,862	1,205,380	704,465	158,603	342,312
Employee benefits	12,353,662	12,383,103	11,074,461		1,308,642
Debt service (principal and interest)	1,823,337	1,823,337	1,822,886		451
Total Expenditures	63,519,608	69,189,905	61,783,745	360,817	7,045,343
Excess of Revenues (Expenditures)	1,392,878	1,375,563	4,070,703	(360,817)	2,334,323
<u>OTHER FINANCING (USES)</u>					
Interfund transfers in		1,395,925	2,824,303		1,428,378
Interfund transfers (out)	(2,892,878)	(4,307,803)	(4,228,603)		79,200
Total Other Financing (Uses)	(2,892,878)	(2,911,878)	(1,404,300)	-0-	1,507,578
Excess of (Expenditures) and Other Financing (Uses)	(1,500,000)	(1,536,315)	2,666,403	\$ (360,817)	\$ 3,841,901
Appropriated Fund Balance	1,500,000	1,536,315			
Net Increase	\$ -0-	\$ -0-	2,666,403		
Fund Balance, Beginning			14,268,543		
Fund Balance, Ending			\$ 16,934,946		

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

COUNTY OF TIOGA
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED DECEMBER 31, 2014

<u>Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
2014	1/1/2013	\$ -0-	\$ <u>84,685,800</u>	\$ <u>84,685,800</u>	0%	\$ <u>16,715,820</u>	507%
2013	1/1/2013	\$ -0-	\$ <u>79,853,675</u>	\$ <u>79,853,675</u>	0%	\$ <u>17,305,396</u>	461%
2012	1/1/2011	\$ -0-	\$ <u>116,812,711</u>	\$ <u>116,812,711</u>	0%	\$ <u>17,869,551</u>	654%
2011	1/1/2011	\$ -0-	\$ <u>109,663,719</u>	\$ <u>109,663,719</u>	0%	\$ <u>16,982,572</u>	646%
2010	1/1/2009	\$ -0-	\$ <u>83,868,078</u>	\$ <u>83,868,078</u>	0%	\$ <u>17,340,899</u>	484%
2009	1/1/2009	\$ -0-	\$ <u>79,576,846</u>	\$ <u>79,576,846</u>	0%	\$ <u>17,348,091</u>	459%

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, 2014

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, 2014.

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.

COUNTY OF TIOGA
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	Special Revenue Funds			
<u>ASSETS</u>	Special Grant Fund	Refuse and Garbage Fund	County Road Fund	Road Machinery Fund
Cash and cash equivalents - Unrestricted	\$ 503,005	\$ 420,225	\$ 420,861	\$ 365,814
- Restricted				
Due from other funds	185	48,103	420,045	79,860
Due from state and federal governments	17,866			
Other receivables, net				
Prepaid expenses				
Loans receivable	352,031			
 Total Assets	 \$ 873,087	 \$ 468,328	 \$ 840,906	 \$ 445,674
 <u>LIABILITIES</u>				
Accounts payable	\$ 5,121	\$ 89,797	\$ 18,479	\$ 18,960
Accrued liabilities	6,472	2,433	42,932	9,691
Due to other funds	225,984	107,466	277,390	79,699
Unearned revenue		48,103		
Total Liabilities	237,577	247,799	338,801	108,350
 <u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue				
 <u>FUND BALANCES</u>				
Nonspendable				
Restricted		38,364		
Assigned	635,510	182,165	502,105	337,324
Total Fund Balances	635,510	220,529	502,105	337,324
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 \$ 873,087	 \$ 468,328	 \$ 840,906	 \$ 445,674

See Independent Auditor's Report

Debt Service Fund (TTASC)	Total Non-Major Governmental Funds
\$ 50,909	\$ 1,760,814
<u>776,187</u>	<u>776,187</u>
<u> </u>	<u>548,193</u>
<u> </u>	<u>17,866</u>
<u>679,016</u>	<u>679,016</u>
<u>2,301</u>	<u>2,301</u>
<u> </u>	<u>352,031</u>
<u>\$ 1,508,413</u>	<u>\$ 4,136,408</u>
\$ <u> </u>	\$ 132,357
<u> </u>	<u>61,528</u>
<u> </u>	<u>690,539</u>
<u> </u>	<u>48,103</u>
<u>-0-</u>	<u>932,527</u>
<u>679,016</u>	<u>679,016</u>
<u>2,301</u>	<u>2,301</u>
<u>776,187</u>	<u>814,551</u>
<u>50,909</u>	<u>1,708,013</u>
<u>829,397</u>	<u>2,524,865</u>
<u>\$ 1,508,413</u>	<u>\$ 4,136,408</u>

COUNTY OF TIOGA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Special Revenue Funds			
	Special Grant Fund	Refuse and Garbage Fund	County Road Fund	Road Machinery Fund
<u>REVENUES</u>				
Real property taxes	\$	\$ 917,346	\$	\$
Real property tax items		60,136		
Departmental income		83,264		
Intergovernmental charges				
Use of money and property	7,403	456	326	248
Sale of property and compensation for loss			9,487	44,316
Tobacco settlement				
State sources	214,110			
Federal sources	283,511			
Total Revenues	<u>505,024</u>	<u>1,061,202</u>	<u>9,813</u>	<u>44,564</u>
<u>EXPENDITURES</u>				
Current:				
General governmental support				
Transportation			1,242,146	538,040
Economic assistance and opportunity	200,955			
Home and community services	214,110	1,157,409		
Employee benefits	81,428	38,052	690,855	122,336
Debt service (principal and interest)				
Total Expenditures	<u>496,493</u>	<u>1,195,461</u>	<u>1,933,001</u>	<u>660,376</u>
Excess of Revenues (Expenditures)	<u>8,531</u>	<u>(134,259)</u>	<u>(1,923,188)</u>	<u>(615,812)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Interfund transfers in			1,933,000	652,759
Total Other Financing Sources (Uses)	<u>-0-</u>	<u>-0-</u>	<u>1,933,000</u>	<u>652,759</u>
Excess of Revenues (Expenditures) and Other Financing Sources (Uses)	<u>8,531</u>	<u>(134,259)</u>	<u>9,812</u>	<u>36,947</u>
Fund Balances, Beginning	<u>626,979</u>	<u>354,788</u>	<u>492,293</u>	<u>300,377</u>
Fund Balances, Ending	<u>\$ 635,510</u>	<u>\$ 220,529</u>	<u>\$ 502,105</u>	<u>\$ 337,324</u>

See Independent Auditor's Report

Debt Service Fund (TTASC)	Total Non-Major Governmental Funds
\$ _____	\$ 917,346
_____	60,136
_____	83,264
_____	-0-
23	8,456
_____	53,803
793,461	793,461
_____	214,110
_____	283,511
793,484	2,414,087
_____	_____
40,341	40,341
_____	1,780,186
_____	200,955
_____	1,371,519
_____	932,671
741,681	741,681
782,022	5,067,353
_____	_____
11,462	(2,653,266)
_____	_____
_____	2,585,759
-0-	2,585,759
_____	_____
11,462	(67,507)
_____	_____
817,935	2,592,372
\$ <u>829,397</u>	\$ <u>2,524,865</u>

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INDEPENDENT AUDITOR'S 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, the financial statements of the governmental activities, 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, 2014 and the related notes to the financial statements, which together with the aggregate discretely presented component units, collectively comprise the County's basic financial statements, and have issued our report thereon dated September 11, 2015. Our report includes a reference to other auditors who audited the financial statements of the Tioga County Soil and Water Conservation District or the Tioga County Industrial Development Agency, as described in our report on the County of Tioga's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

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 significant deficiency, as defined above, which is described in the accompanying Schedule of Findings and Questioned Costs as Reference No. 06-002.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

September 11, 2015
Ithaca, New York

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the County of Tioga's (the County) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2014. The County's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

The County's basic financial statements include the operations of the Tioga County Industrial Development Agency and the Tioga Soil and Water Conservation District whose federal awards are not included in the Schedule of Expenditures of Federal Awards for the year ended December 31, 2014. Our audit, described below, did not include the federal awards of the above entities as these entities conducted separate audits in accordance with OMB Circular A-133, if required.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

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Opinion on Each Major Federal Program

In our opinion, the County of Tioga complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the County's with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

September 11, 2015
Ithaca, New York

COUNTY OF TIOGA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014

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 Services:			
SNAP Cluster:			
State Administrative Grants for the Supplemental Nutrition Assistance Program	10.561	(1)	\$ <u>880,965</u>
Child Nutrition Cluster:			
School Breakfast Program	10.553	(1)	609
National School Lunch Program	10.555	(1)	953
Total Child Nutrition Cluster			<u>1,562</u>
Total U.S. Department of Agriculture			<u>882,527</u>
<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)	98,564
Workforce Investment Act - Youth Activities	17.259	(1)	63,600
Workforce Investment Act - Dislocated Workers	17.278	(1)	114,531
Total Workforce Investment Act Cluster			<u>276,695</u>
National Emergency Grant On-the-Job Training	17.277	(1)	<u>1,729</u>
Total U.S. Department of Labor			<u>278,424</u>
<u>U.S. Department of Transportation</u>			
Passed Through State Department of Transportation:			
Formula Grants for Other than Urbanized Areas	20.509	(1)	<u>223,793</u>
Total U.S. Department of Transportation			<u>223,793</u>
<u>U.S. Department of Education</u>			
Passed Through NYS Department of Health:			
Special Education - Grants for Infants and Toddlers	84.181(A)	(1)	<u>24,166</u>
Total U.S. Department of Education			<u>24,166</u>
Subtotal Expenditures of Federal Awards			<u>1,408,910</u>

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, 2014

<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			\$ <u>1,408,910</u>
<u>U.S. Department of Health and Human Services</u>			
Passed Through Health Research, Inc.:			
Public Health Preparedness and Response to Bioterrorism	93.074	1623-08	52,993
Passed Through NYS Department of Family Services:			
Temporary Assistance for Needy Families (TANF)	93.558	(1)	3,133,376
Child Support Enforcement	93.563	(1)	331,892
Low-Income Home Energy Assistance	93.568	(1)	2,954,989
Child Care and Development Block Grant	93.575	(1)	1,396,997
Foster Care-Title IV-E	93.658	(1)	641,316
Adoption Assistance	93.659	(1)	195,852
Social Services Block Grant	93.667	(1)	322,134
Chafee Foster Care Independence Program	93.674	(1)	12,338
Medical Assistance Program	93.778	(1)	531,803
Passed Through NYS Office of Mental Health:			
Medical Assistance Program	93.778	(1)	339,934
Passed Through NYS Division of Alcohol and Substance Abuse:			
Block Grant for the Prevention and Treatment of Substance Abuse	93.959	(1)	129,460
Passed Through the NYS Office of Mental Health:			
Maternal and Child Health Services Block Grant to the States	93.994	(1)	27,647
Immunization Cooperative Agreements	93.268	(1)	<u>21,683</u>
Total U.S. Department of Health and Human Services			<u>10,092,414</u>
<u>U.S. Department of Homeland Security</u>			
Passed Through State Division of Homeland Security and Emergency Services:			
State and Local Homeland Security Exercise Support	97.006	(1)	48,710
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(1)	782,548
Homeland Security Grant Program	97.067	(1)	<u>19,415</u>
Total U.S. Department of Homeland Security			<u>850,673</u>
Total Expenditures of Federal Awards			<u>\$ 12,351,997</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, 2014

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 the result of allocations of administrative costs to individual programs.

Note 6 - 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, 2014

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

Financial Statements

Type of auditor's report issued: Unmodified

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: Unmodified

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:
97.036	Disaster Grants-Public Assistance (Presidentially Declared Disasters)
93.568	Low Income Home Energy Assistance
93.658	Foster Care - Title IV-E
93.659	Adoption Assistance

Dollar threshold used to distinguish between type A and type B programs \$ 370,560

Auditee qualified as low-risk auditee: yes no

COUNTY OF TIOGA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
DECEMBER 31, 2014

Section II - Financial Statement Findings

Reference No. 06-02

Condition:

The reconciliations of the County's bank accounts at December 31, 2006 were not performed in a timely manner.

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, we discovered 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.

Corrective Action Plan:

The County has purchased new software and is in the process of installation and implementation.

Section III - Federal Award Findings and Questioned Costs:

None