

COUNTY OF TIOGA

Owego, New York

FINANCIAL REPORT

DECEMBER 31, 2015



COUNTY OF TIOGA

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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, 2015, 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 Tioga County Industrial Development Agency represent 100% 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 and 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.

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, 2015, 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.

Emphasis of a Matter

During the year ended December 31, 2015, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions - Amendment of GASB Statement No. 27," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." Our opinion is not modified with respect to this matter.

Prior Period Financial Statements

The financial statements of the County of Tioga, New York, as of December 31, 2014 were audited by Ciaschi, Dietershagen, Little, Mickelson & Company, LLP who merged with Inero & Co. CPAs, LLP as of January 1, 2016, and whose report dated July 9, 2015 expressed an unmodified opinion on those statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, Schedule of Funding Progress, Schedule of County's Contributions - NYSLRS Pension Plan, and Schedule of the County's Proportionate Share of the Net Pension Liability - NYSLRS Pension Plan on pages 4-4k and 50-55 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 August 6, 2017, 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.

Respectfully Submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
August 6, 2017

COUNTY OF TIOGA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015. Please read this information in conjunction with the County's financial statements, which begin on page 5.

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$17,508,061 (net position) compared to \$17,166,927 in 2014. Net position as of December 31, 2014 was restated due to the adoption of new accounting standards for pensions. 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 \$51,827,060.
- As of December 31, 2015, the County's Governmental Funds reported combined fund balances of \$37,188,876. Approximately 77.5% of the combined fund balances, or \$28,864,194, 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 \$21,548,735. Of this, \$720,962 is non-spendable, \$441,823 is restricted and \$2,314,782 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.

COUNTY OF TIOGA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

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, deferred outflows of resources, liabilities, and deferred inflows of resources 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, deferred outflows of resources, liabilities, and deferred inflows of resources, 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.

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 Tioga Tobacco Asset Securitization Corporation is reported as a blended component unit. The Tioga County Soil and Water Conservation District and the Tioga County 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.

COUNTY OF TIOGA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

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.

THE COUNTY AS A WHOLE

The County's net position for fiscal year ended December 31, 2015 increased \$341,134, from \$17,166,927 (as restated) to \$17,508,061. Last year net position decreased by \$(7,901,441).

The largest portion of the County's net position, \$37,706,677, reflects its investment in capital assets (e.g. land, buildings, machinery and 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, \$3,031,481, represents resources subject to external restrictions on how they may be used and are reported as restricted. Restricted net position includes \$480,187 in the General, Capital, and Refuse and Garbage Funds, as well as \$776,188 in the TTASC Debt Service Fund.

The remaining category of total net position, unrestricted net position, which shows a deficit of \$(23,230,097), is what may be used to meet the government's ongoing obligations and services to creditors and citizens.

COUNTY OF TIOGA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

	<i>Governmental Activities</i>		<i>Percent Change</i>
	<i>2014 (as restated)</i>	<i>2015</i>	<i>2014 – 2015</i>
<i>Current assets</i>	\$ 51,339,625	\$ 51,158,431	(0.4)%
<i>Capital assets, net</i>	64,430,107	66,159,276	2.7%
<i>Other noncurrent assets</i>	776,187	776,188	0%
<i>Total Assets</i>	116,545,919	118,093,895	1.3%
<i>Deferred Outflows of Resources - pension</i>	2,222,149	2,426,675	9.2%
<i>Current liabilities</i>	14,949,939	11,968,884	(19.9)%
<i>Noncurrent liabilities</i>	86,651,202	90,427,253	4.4%
<i>Total Liabilities</i>	101,601,141	102,396,137	0.8%
<i>Deferred Inflows of Resources - pension</i>		616,372	N/A
<i>Net investment in capital assets</i>	36,499,670	37,706,677	3.3%
<i>Restricted</i>	3,886,983	3,031,481	(22.0)%
<i>Unrestricted</i>	(23,219,726)	(23,230,097)	0%
<i>Total Net Position</i>	\$ 17,166,927	\$ 17,508,061	2.0%

Current assets showed a decrease of \$(181,194), primarily due to a decrease in cash offset by an increase in taxes and accounts receivable. Capital assets, net of accumulated depreciation, of \$66,159,276 at December 31, 2015 increased by \$1,729,169, 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.

Current liabilities decreased from the prior year due to lower amounts for returned school taxes to be remitted to the school districts, accounts payable and accrued liabilities. The increase in noncurrent liabilities reflects the increase in other postemployment liability of \$5,826,546, offset by a decrease in the noncurrent portion of bonds payable of \$1,440,000 resulting from repayment of debt, and a reduction in the net pension liability of \$870,308.

Deferred outflows and inflows of resources are reported as a result of new pension accounting standards. The 2014 figures for deferred outflows and inflows are restated in Figure 1. The effects of the implementation of these new standards are not reflected in program expenses in Figure 2, as this information was not available.

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 decreased primarily as a result of decreases in capital reserves in the Capital Fund for the new financial management system.

COUNTY OF TIOGA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

The County's total revenues increased by 3.1%, while the total cost of all programs and services decreased (7.5)%. Our analysis in Figure 2 considers the operations of Governmental Activities.

Figure 2 - Changes in Net Position

	<i>Governmental Activities</i>		<i>Percent Change</i>
	<i>2014</i>	<i>2015</i>	<i>2014 - 2015</i>
REVENUES			
<i>Program Revenues:</i>			
<i>Charges for services</i>	\$ 6,635,538	\$ 6,271,565	(5.5)%
<i>Operating grants and contributions</i>	16,942,556	16,991,874	0.3%
<i>Capital grants and contributions</i>	2,202,024	4,247,447	92.9%
<i>General Revenues:</i>			
<i>Property taxes and tax items</i>	24,595,558	25,102,932	2.1%
<i>Sales and other taxes</i>	20,549,744	19,902,852	(3.2)%
<i>Tobacco settlement</i>	679,016	1,371,514	102.0%
<i>Use of money and property</i>	93,226	113,217	21.4%
<i>Other</i>	548,959	502,559	(8.5)%
Total Revenues	\$ 72,246,621	\$ 74,503,960	3.1%
PROGRAM EXPENSES			
<i>General government</i>	18,183,082	15,722,754	(13.5)%
<i>Education</i>	4,501,850	4,091,128	(9.1)%
<i>Public safety</i>	13,541,722	13,655,997	0.8%
<i>Public health</i>	7,750,001	6,995,589	(9.7)%
<i>Transportation</i>	7,968,054	6,599,674	(17.2)%
<i>Economic assistance and opportunity</i>	23,992,399	22,792,696	(5.0)%
<i>Culture and recreation</i>	352,642	353,089	0.1%
<i>Home and community</i>	2,220,473	2,319,897	4.5%
<i>Interest on debt</i>	1,637,839	1,632,002	(0.4)%
Total Expenses	\$ 80,148,062	\$ 74,162,826	(7.5)%
(DECREASE) INCREASE IN NET POSITION	\$ (7,901,441)	\$ 341,134	104.3%

Governmental Activities

Revenues

- Charges for services decreased approximately \$360,000, or 5.5%, primarily due to decreases in home health fees, and lower repayments of social service programs.

COUNTY OF TIOGA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

- Capital grants nearly doubled in 2015 primarily due to road and bridge program funding in 2015.
- Property tax and tax items increased approximately \$500,000, or 2.1%, due to a \$600,000 increase in the tax levy, offset by lower gains from tax acquired property and lower PILOT payments.
- Non-property tax items consist primarily of sales and use taxes and showed a decrease of \$650,000 in 2014.
- Tobacco settlement revenue more than doubled compared to the prior year, due to the settlement of payment disputes on the part of tobacco companies. This increase is expected to be a one-time change, and the revenue should return to historical levels in the future.

Expenses

- General government expenses decreased by nearly \$2.5 million, primarily the result of 2014 distributions of insurance close-outs which caused a one-time increase in this expense category.
- The decrease in education expense of over \$400,000 stems from a decrease in the County's contribution to the local community college of approximately \$176,000 and a change in payment methodology for the education of handicapped children.
- Public health expenses decreased by approximately \$750,000, 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.
- Transportation expenses decreased by approximately \$1.4 million, primarily due to ending a contractual agreement to operate bus services in the County.
- Economic assistance and opportunity expenses were approximately \$1.2 million lower in 2015, primarily due to decreases in Medicaid expenses, and generally lower social service payments.
- Home and community services increased by approximately \$100,000 compared to 2014, due primarily to lingering payments for flood mitigation payments.

COUNTY OF TIOGA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

Figures 3 and 4 show the sources of revenue for 2015 and 2014.

Figure 3 - Revenue by Source
Governmental Activities
2015

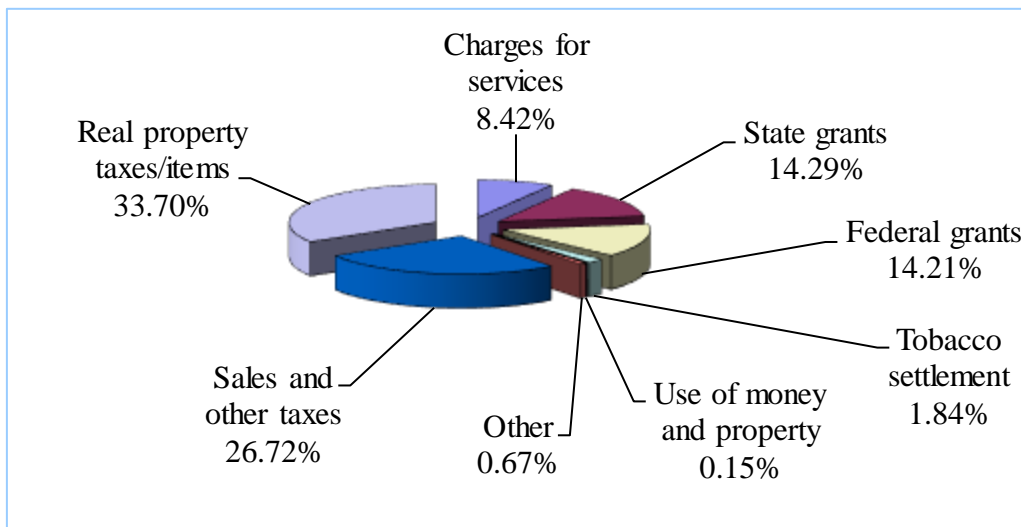
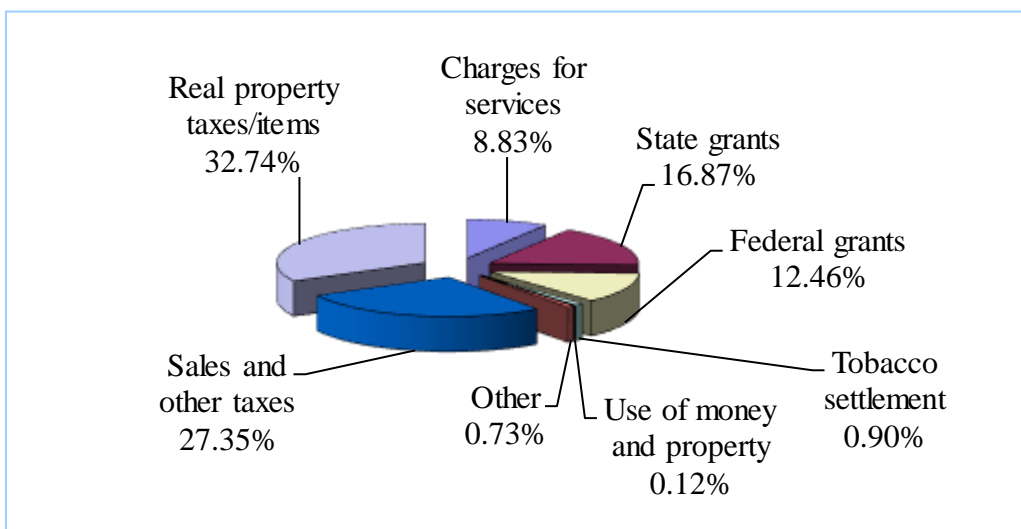


Figure 4 - Revenue by Source
Governmental Activities
2014



COUNTY OF TIOGA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

Figure 5 - Net Program Cost
Governmental Activities
2015

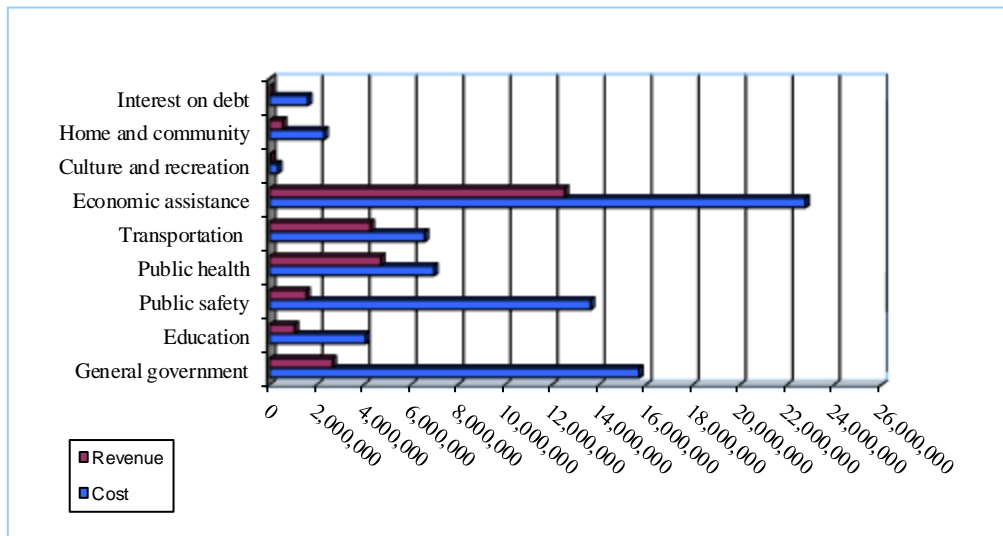
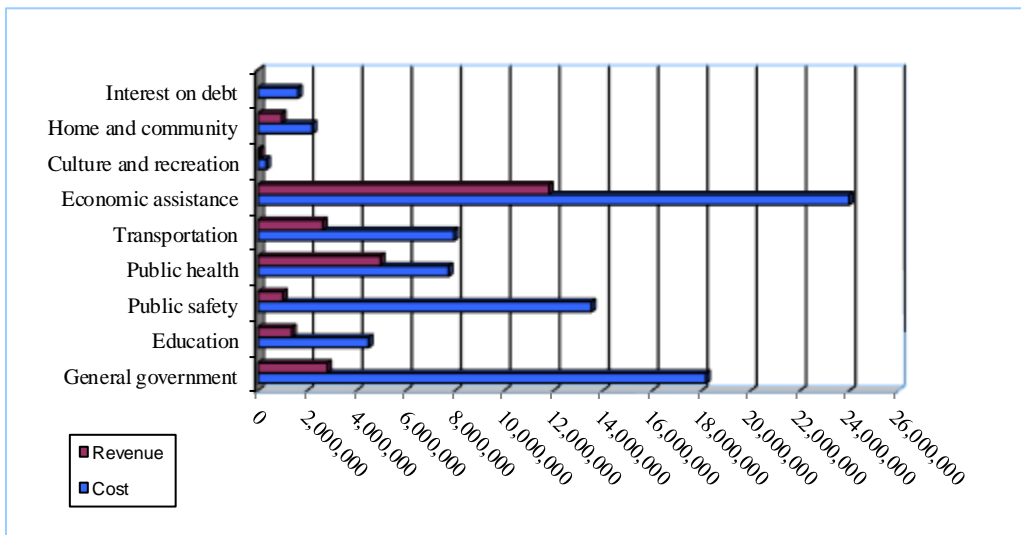


Figure 6 - Net Program Cost
Governmental Activities
2014



COUNTY OF TIOGA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015, the County's operating fund, the General Fund, reported a fund balance of \$21,548,735, compared with the prior year's fund balance of \$16,934,946; an increase of \$4,613,789. Fund balance in the General Fund includes unassigned, fund balance of \$18,071,168, which is available for spending at management's discretion. The County has assigned \$2,314,782 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 \$441,823 or consists of prepaid expenses of \$720,962. The County Road Fund reported a fund balance of \$231,494, a decrease of \$(270,611). The Capital Projects Fund reported a fund balance of \$13,331,337, compared with the prior year's fund balance of \$15,606,317, a decrease of \$(2,274,980), due to capital projects expenditures funded by unspent bond proceeds and capital reserves. The County's Non-Major Governmental Funds reported fund balances of \$2,077,310, compared with prior year fund balances of \$2,022,760; an increase of \$54,550 from the prior year.

General Fund Budgetary Highlights

For 2015, actual expenditures in the General Fund were \$7.2 million or (10.6)% lower than the revised budget, while actual revenues were \$2.0 million, or (2.9)% lower than the revised revenue estimate. The General Fund budget was increased by approximately \$1.1 million during the year to \$70.1 million. Increases were primarily due to higher than expected education and economic assistance expenditures.

Real property taxes and tax items revenue was approximately \$23.9 million in 2015; approximately \$80,000 less than budgeted. The County, at December 31, 2015, had a maximum taxing power of \$42,058,396. Non-property tax revenues were approximately \$19.7 million in 2015; \$936,000 more than budgeted. Departmental revenue was less than budgeted primarily due to lower other attorney fees (\$440,000), mental health fees (\$181,000), and lower repayments for medical assistance (\$194,000). The largest appropriation variances, including encumbrances, were:

<u>Function</u>	<u>Expenditures and Encumbrances</u>	<u>Under Budget</u>
Public safety	\$ 7,648,139	\$ 2,270,727
Economic assistance	18,501,704	1,852,590
General governmental support	10,234,786	965,095

COUNTY OF TIOGA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its Governmental Activities as of December 31, 2015, amounted to \$66,159,276, net of accumulated depreciation, compared to \$64,430,107 at December 31, 2014. 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 2.7% compared to 4.6% in 2014.

Figure 7 - Capital Assets, Net of Depreciation

	<i>Governmental Activities</i>		<i>Percent Change</i>
	<i>2014</i>	<i>2015</i>	<i>2014 - 2015</i>
<i>Land</i>	\$ 1,344,100	\$ 1,344,100	0.0%
<i>Construction in progress</i>	209,405	1,185,757	466.3%
<i>Buildings and improvements</i>	34,356,349	34,629,556	0.8%
<i>Equipment</i>	14,206,675	15,300,493	7.7%
<i>Infrastructure</i>	64,024,435	68,314,526	6.7%
<i>Total Capital Assets at Historical Cost</i>	114,140,964	120,774,432	5.8%
<i>Accumulated depreciation</i>	(49,710,857)	(54,615,156)	9.9%
<i>Total Capital Assets, Net of Accumulated Depreciation</i>	\$ 64,430,107	\$ 66,159,276	2.7%

This year's additions consisted of:

Construction in progress	\$ 3,303,520
Infrastructure	1,962,923
Buildings	273,207
Machinery and equipment	1,367,093
Total Additions	<u>6,906,743</u>
Depreciation expense	(5,121,043)
Net book value of disposed assets	<u>(56,531)</u>
Total Change in Capital Assets, net of Accumulated Depreciation	\$ <u>1,729,169</u>

COUNTY OF TIOGA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

Debt Administration

At the end of 2015, the County and its blended component unit had total debt outstanding, in the form of serial bonds, of \$33,022,537. The County's debt of \$16,640,000 is backed by the full faith and credit of the County. Of this amount, \$16,640,000 is subject to the County's statutory debt limit of \$173,181,631, which represents approximately 9.6% of the County's debt limit. The blended component unit, Tioga Tobacco Asset Securitization Corporation, has debt of \$16,382,537, which is backed by future Tobacco Settlement Revenues.

Figure 8 - Outstanding Debt at Years Ended

	<i>Governmental Activities</i>	
	<i>2014</i>	<i>2015</i>
<i>Beginning outstanding debt</i>	\$ 35,046,076	\$ 34,132,724
<i>Addition of accreted interest on TTASC bonds</i>	306,648	329,813
<i>Paid during the year</i>	(1,220,000)	(1,440,000)
<i>Totals</i>	\$ 34,132,724	\$ 33,022,537

The County also has other long-term liabilities, which are described in Note 9 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 the 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 2016 Budget, the County decreased appropriations by a total of \$4,953,694; appropriations decreased in the General Fund by \$808,937. Revenues declined by \$1,975,484; General Fund revenue declined by \$902,881. The tax increase for 2016 is 2.00%, or \$454,484, which is equal to the 2% cap set by New York State.
- Through the first 6 months of 2016 sales tax revenue is down 0.71% under 2015. Lower energy prices may be a significant contributor. Sales tax revenue is expected to be within budget in 2016.
- The 2016 County budget appropriates \$2,156,500 (compared to \$6,795,980 in 2015) for bridges and road projects.
- Employee benefits continue to challenge the 2016 budget, with \$13,364,614 budgeted for 2016 compared to \$13,565,658 for 2015, a 1.25% decrease overall, largely attributed to decreasing retirement and workers compensation offset by increasing health care expenses.

COUNTY OF TIOGA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015

	Primary Government	Component Units	
	Governmental Activities	Industrial Development Agency	Soil and Water Conservation District
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 24,431,034	\$ 1,157,435	\$ 1,037,474
Restricted cash	8,140,721	1,773,831	
Investments		1,422,594	
Taxes receivable, net	7,010,849		
Accounts receivable, net	1,548,650	120,400	798,531
Loans and leases receivable, current portion	299,362	98,267	
Due from state and federal governments	9,004,552		
Prepaid expenses	723,263		3,632
Total Current Assets	51,158,431	4,572,527	1,839,637
Noncurrent Assets			
Restricted cash and cash equivalents	776,188		
Loans and leases receivable, long-term portion		519,106	
Accounts receivable, long-term portion		391,976	
Capital assets-land and construction in progress	2,529,857		
Capital assets-depreciable, net of accumulated depreciation	63,629,419	1,500,368	532,180
Total Noncurrent Assets	66,935,464	2,411,450	532,180
Total Assets	118,093,895	6,983,977	2,371,817
Deferred Outflows of Resources			
Pensions	2,426,675		69,919
Total Deferred Outflows of Resources	2,426,675		69,919
LIABILITIES			
Current Liabilities			
Accounts payable	842,137	13,607	257,951
Accrued liabilities	333,820		27,071
Interest payable	213,330		
Due to other governments	5,582,654		
Compensated absences	978,715		
Contract advances			199,209
Unearned revenue	1,268,228		
Self insurance accruals	840,000		
Long-term obligations due within one year	1,910,000	90,791	
Total Current Liabilities	11,968,884	104,398	484,231
Long-term obligations due after one year	90,427,253	961,445	84,049
Total Liabilities	102,396,137	1,065,843	568,280
Deferred Inflows of Resources			
Unavailable revenue		945,118	
Pensions	616,372		47,462
Total Deferred Inflows of Resources	616,372	945,118	47,462
NET POSITION			
Net investment in capital assets	37,706,677	1,500,368	532,180
Restricted	3,031,481	394,896	716,704
Unrestricted	(23,230,097)	3,077,752	577,110
Total Net Position	\$ 17,508,061	\$ 4,973,016	\$ 1,825,994

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
FUNCTIONS/PROGRAMS				
Primary Government				
Governmental Activities:				
General governmental support	\$ 15,722,754	\$ 2,423,656	\$ 211,474	\$ 44,473
Education	4,091,128		1,069,745	
Public safety	13,655,997	559,008	1,004,095	
Health	6,995,589	2,445,224	2,292,699	
Transportation	6,599,674		253,467	4,035,354
Economic assistance and opportunity	22,792,696	748,528	11,802,579	
Culture and recreation	353,089		45,937	11,250
Home and community services	2,319,897	95,149	311,878	156,370
Interest on debt	1,632,002			
Total Primary Government	\$ 74,162,826	\$ 6,271,565	\$ 16,991,874	\$ 4,247,447
Component Units				
Industrial Development Agency	293,022	788,824	87,504	
Soil and Water Conservation District	2,353,578	537,686	2,038,589	
Total Component Units	\$ 2,646,600	\$ 1,326,510	\$ 2,126,093	\$ -

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
 Loss on sale of capital assets

Total General Revenues

Change in Net Position

Net Position - Beginning, as restated

Net Position - Ending

See Independent Auditor's Report and Notes to Financial Statements

**Net (Expense) Revenue and
Changes in Net Position**

<u>Primary Government</u>	<u>Component Units</u>	
<u>Total Governmental Activities</u>	<u>Industrial Development Agency</u>	<u>Soil and Water Conservation District</u>
\$ (13,043,151)	\$ _____	\$ _____
(3,021,383)	_____	_____
(12,092,894)	_____	_____
(2,257,666)	_____	_____
(2,310,853)	_____	_____
(10,241,589)	_____	_____
(295,902)	_____	_____
(1,756,500)	_____	_____
(1,632,002)	_____	_____
(46,651,940)	-	-
_____	583,306	_____
_____	_____	222,697
-	583,306	222,697
(46,651,940)	583,306	222,697
25,102,932	_____	_____
19,902,852	_____	_____
_____	_____	189,234
1,371,514	_____	_____
113,217	8,541	_____
421,951	10,000	5,861
80,608	_____	_____
_____	(169,559)	_____
46,993,074	(151,018)	195,095
341,134	432,288	417,792
17,166,927	4,540,728	1,408,202
\$ 17,508,061	\$ 4,973,016	\$ 1,825,994

COUNTY OF TIOGA

BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2015

	Major Funds			Total Non-Major Governmental Funds	Total Governmental Funds
	General Fund	County Road Fund	Capital Projects Funds		
ASSETS					
Cash and cash equivalents - Unrestricted	\$ 17,713,850	\$ (105,379)	\$ 3,164,552	\$ 688,001	\$ 21,461,024
Cash and cash equivalents - Restricted			8,102,357	814,552	8,916,909
Taxes receivable, net	7,010,849				7,010,849
Other receivables, net	125,812			1,371,618	1,497,430
Due from other funds	1,455,924	1,435,687	129,500	281,776	3,302,887
Due from state and federal governments	5,810,589	236,250	2,804,753	152,960	9,004,552
Prepaid expenses	720,962			2,301	723,263
Loans receivable				299,362	299,362
Total Assets	\$ 32,837,986	\$ 1,566,558	\$ 14,201,162	\$ 3,610,570	\$ 52,216,276
LIABILITIES					
Accounts payable	\$ 663,876	\$ 15,463	\$ 110,117	\$ 11,099	\$ 800,555
Accrued liabilities	333,995		500	(675)	333,820
Due to other funds	1,831,964	1,319,601		151,322	3,302,887
Due to other governments	4,968,860		613,794		5,582,654
Unearned revenue	1,122,814		145,414		1,268,228
Total Liabilities	8,921,509	1,335,064	869,825	161,746	11,288,144
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	2,367,742			1,371,514	3,739,256
Total Deferred Inflows of Resources					
FUND BALANCES					
Nonspendable	720,962			2,301	723,263
Restricted	441,823		6,345,044	814,552	7,601,419
Assigned	2,314,782	231,494	6,986,293	1,260,457	10,793,026
Unassigned	18,071,168				18,071,168
Total Fund Balances	21,548,735	231,494	13,331,337	2,077,310	37,188,876
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 32,837,986	\$ 1,566,558	\$ 14,201,162	\$ 3,610,570	\$ 52,216,276

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, 2015

Total Governmental Fund Balances \$ 37,188,876

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 5.

Historical cost of capital assets	\$ 120,774,432	
Less accumulated depreciation	<u>(54,615,156)</u>	<u>66,159,276</u>

Deferred outflows of resources represent a consumption of net position that applies to future periods and, therefore, is not reported in the Governmental Funds. Deferred inflows of resources represents an acquisition of net position that applies to future periods and, therefore, is not reported in the Governmental Funds.

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	\$ 3,739,256	
ERS deferred outflows - Pensions	2,426,675	
ERS deferred inflows - Pensions	<u>(616,372)</u>	<u>5,549,559</u>

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.

(2,770,352)

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.

(213,330)

Long-term liabilities, including bonds payable, compensated absences, net pension liability, and other postemployment benefit liability, are not due and payable in the current period and, therefore, are not reported in the funds. See Notes 6, 7, 8, and 10.

Bonds payable	\$ (30,572,915)	
Net pension liability	(2,577,656)	
Accreted interest on TASC bonds	(2,449,622)	
Other postemployment benefit liability	(51,827,060)	
Compensated absences	<u>(978,715)</u>	<u>(88,405,968)</u>

Net Position of Governmental Activities \$ 17,508,061

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, 2015

	Major Funds			Total Non-Major Governmental Funds	Total Governmental Funds
	General Fund	County Road Fund	Capital Projects Funds		
REVENUES					
Real property taxes	\$ 21,585,568	\$	\$	\$ 1,005,591	\$ 22,591,159
Real property tax items	2,347,340			55,762	2,403,102
Nonproperty tax items	19,717,783		185,069		19,902,852
Departmental income	4,572,470			84,557	4,657,027
Intergovernmental charges	421,031				421,031
Use of money and property	81,864	211	19,481	10,659	112,215
Licenses and permits	53,340				53,340
Fines and forfeitures	80,608				80,608
Sale of property and compensation for loss	22,000	6,183	29,870	44,454	102,507
Miscellaneous local sources	319,334	215	56,426		375,975
Tobacco settlement revenue				679,016	679,016
State sources	8,821,819	32,470	1,667,636	127,794	10,649,719
Federal sources	7,705,798	203,780	2,379,721	300,303	10,589,602
Total Revenues	65,728,955	242,859	4,338,203	2,308,136	72,618,153
EXPENDITURES					
General governmental support	10,234,786			43,569	10,278,355
Education	4,091,128				4,091,128
Public safety	7,648,139				7,648,139
Health	4,364,389				4,364,389
Transportation		1,549,253		480,929	2,030,182
Economic assistance and opportunity	18,501,704			205,509	18,707,213
Culture and recreation	338,412				338,412
Home and community services	767,759			1,147,757	1,915,516
Employee benefits	11,302,934	719,904		296,808	12,319,646
Debt service (principal and interest)	2,114,957			631,900	2,746,857
Capital outlay			6,719,063		6,719,063
Total Expenditures	59,364,208	2,269,157	6,719,063	2,806,472	71,158,900
Excess of Revenues (Expenditures)	6,364,747	(2,026,298)	(2,380,860)	(498,336)	1,459,253
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	760,115	1,785,687	172,500	567,886	3,286,188
Interfund transfers (out)	(2,511,073)	(30,000)	(66,620)	(15,000)	(2,622,693)
Total Other Financing Sources (Uses)	(1,750,958)	1,755,687	105,880	552,886	663,495
Excess of Revenues (Expenditures) and Other Financing Sources (Uses)	4,613,789	(270,611)	(2,274,980)	54,550	2,122,748
Fund Balances, Beginning	16,934,946	502,105	15,606,317	2,022,760	35,066,128
Fund Balances, Ending	\$ 21,548,735	\$ 231,494	\$ 13,331,337	\$ 2,077,310	\$ 37,188,876

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, 2015

Net Change in Fund Balances - Total Governmental Funds \$ 2,122,748

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	\$ 6,906,743	
Net book value of disposed assets	(56,531)	
Depreciation expense	<u>(5,121,043)</u>	<u>1,729,169</u>

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

801,169

Changes in deferred inflows and deferred outflows of resources related to pensions are not reported in the funds.

Change in deferred outflows of resources	204,526	
Change in deferred inflows of resources	<u>(616,372)</u>	<u>(411,846)</u>

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>1,440,000</u>
------------------------	--	------------------

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	\$ (69,300)	
Change in net pension liability	870,308	
Change in postemployment benefits liability	(5,826,546)	
Change in accrued interest payable	4,668	
Change in accreted interest on TASC capital appreciation bonds	<u>(329,813)</u>	<u>(5,350,683)</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.

10,577

Change in Net Position of Governmental Activities \$ 341,134

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA

STATEMENT OF NET POSITION PROPRIETARY FUND DECEMBER 31, 2015

	<u>Governmental Activities</u> <u>Internal Service Fund</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 2,970,010
Accounts receivable, net	<u>51,220</u>
Total Current Assets	<u>3,021,230</u>
Total Assets	<u>3,021,230</u>
LIABILITIES	
Current Liabilities	
Accounts payable	41,582
Self insurance accruals	<u>840,000</u>
Total Current Liabilities	<u>881,582</u>
Noncurrent Liabilities	
Benefits and awards payable	4,910,000
Total Noncurrent Liabilities	<u>4,910,000</u>
Total Liabilities	<u>5,791,582</u>
NET POSITION	
Unrestricted	<u>(2,770,352)</u>
Total Net Position (Deficit)	<u><u>\$ (2,770,352)</u></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, 2015

	Governmental Activities Internal Service Fund
OPERATING REVENUES	
Charges for services	\$ 1,835,659
Other operating revenues	43,437
Total Operating Revenues	1,879,096
OPERATING EXPENSES	
Salaries and wages	219,156
Contractual	559,475
Benefits and awards	840,308
Claims and judgments	20,372
Total Operating Expenses	1,639,311
Income from Operations	239,785
NONOPERATING REVENUES (EXPENSES)	
Interest income	1,002
Other nonoperating revenues	433,285
Transfer to other funds	(663,495)
Total Nonoperating (Expenses)	(229,208)
Change in Net Position	10,577
Net Position (Deficit), January 1,	(2,780,929)
Net Position (Deficit), December 31,	\$ (2,770,352)

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, 2015

	Governmental Activities Internal Service Fund
Cash Flows from Operating Activities	
Cash received from providing services - Governmental participants	\$ 113,284
Cash received from providing services - External participants	1,794,715
Cash received from insurance recoveries	43,437
Cash payments - Employees	(223,108)
Cash payments - Claims and benefits	(1,189,139)
Cash payments - Vendors	(632,953)
Net Cash (Used) by Operating Activities	(93,764)
Cash Flows from Non-Capital Financing Activities	
Other nonoperating revenues	433,285
Transfer to other funds	(663,495)
Net Cash (Used) by Non-capital Financing Activities	(230,210)
Net Cash Provided by Capital and Related Financing Activities	-
Cash Flows from Investing Activities	
Interest income received	1,002
Net Cash Provided by Investing Activities	
Net (Decrease) in Cash and Cash Equivalents	(322,972)
Cash and Cash Equivalents, January 1,	3,292,982
Cash and Cash Equivalents, December 31,	\$ 2,970,010
Reconciliation of Income from Operations to Net Cash (Used) by Operating Activities	
Income from operations	\$ 239,785
Decrease in interfund receivable	139,481
(Increase) in other receivables	(40,944)
(Decrease) in interfund payable	(26,197)
(Decrease) in accounts payable	(73,478)
(Decrease) in accrued liabilities	(3,952)
(Decrease) in self insurance accruals	(328,459)
Net Cash (Used) by Operating Activities	\$ (93,764)

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS DECEMBER 31, 2015

	Private Purpose Trust Funds	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents - Unrestricted	\$ 97,437	\$ 414,447
Accounts receivable		26,295
Total Assets	<u>97,437</u>	<u><u>\$ 440,742</u></u>
LIABILITIES		
Agency liabilities		\$ 440,742
Total Liabilities	<u>-</u>	<u><u>\$ 440,742</u></u>
NET POSITION		
Held in trust for private purposes	<u><u>\$ 97,437</u></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, 2015

	Private Purpose Trust Funds
ADDITIONS	
Contributions	\$ 69,084
Total Additions	<u>69,084</u>
DEDUCTIONS	
Total Deductions	<u>-</u>
Change in Net Position	69,084
Net Position - Beginning	<u>28,353</u>
Net Position - Ending	<u><u>\$ 97,437</u></u>

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

***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.

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.

COUNTY OF TIOGA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

***Note 1* Summary of Significant Accounting Policies - Continued**

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.

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.

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.

COUNTY OF TIOGA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

***Note 1* Summary of Significant Accounting Policies - Continued**

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.

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.

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."

COUNTY OF TIOGA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

***Note 1* Summary of Significant Accounting Policies - Continued**

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:

Governmental Funds

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

Major Funds

- General Fund - Principal operating fund which includes all operations not required to be recorded in other funds.
- County Road Fund - Accounts for expenditures for highway purposes authorized by Section 114 of the Highway Law.
- Capital Projects Fund - Accounts for and reports financial resources to be used for acquisition, construction, or renovation of major capital facilities or equipment.

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.
 - 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).
- 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.

COUNTY OF TIOGA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

Note 1 Summary of Significant Accounting Policies - Continued

Proprietary Funds

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

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

Fiduciary Funds

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

- Private Purpose Trust Funds - Trust arrangements under which principal and income benefit individuals, private organizations or other governments.
- Agency Funds - Account for money and/or property received and held in the capacity of trustee, custodian or agent. Agency Funds are custodial in nature and do not involve measurement of results for operations. The most significant of the County's Agency Funds are mortgage tax and social service trust funds.

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.

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.

COUNTY OF TIOGA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

Note 1 Summary of Significant Accounting Policies - Continued

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.

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, reserves for self-insurance claim liabilities, other postemployment benefits, net pension liability, and accumulated depreciation.

Equity Classifications

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.
- 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."

COUNTY OF TIOGA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

***Note 1* Summary of Significant Accounting Policies - Continued**

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.
- 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, and 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

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

***Note 1* Summary of Significant Accounting Policies - Continued**

Governmental Fund Financial Statements - Continued

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 informal policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

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, 2015, the County reflected liabilities to the school districts of \$3,510,016 and the villages of \$948,815 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, 2015.

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, 2015, total real property tax receivable was \$8,103,347 (before deduction of an allowance for uncollectible taxes of \$1,092,498). The portion of the receivable representing current year returned village and school taxes was \$4,464,334. The remaining portion of the tax receivable is offset by deferred tax revenues of \$2,367,742, which represents an estimate of the tax liens, and will not be collected within the first 60 days of the subsequent year.

Sales Tax

The County imposes a 4% sales tax in the County, and in accordance with Section 14 of the tax law, shares a portion of the sales tax collections with the towns and villages. In addition, a portion of sales tax collections 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 \$185,069 is sales tax designated for capital projects.

COUNTY OF TIOGA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

Note 1 Summary of Significant Accounting Policies - Continued

Sales Tax - Continued

The General Fund's primary non-property tax item is sales tax, which amounted to \$19,363,960. At December 31, 2015 this amount included an accrual of \$1,306,705, which is included in state and federal receivables, for sales that occurred in the State of New York in 2015 and had not been received by the County at December 31, 2015. Of the \$19,363,960 recognized as revenue, \$4,982,477 was distributed to local municipalities within the County.

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.

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.

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.

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 County reports deferred outflows related to pensions in the Statements of Net Position. The types of deferred outflows related to pensions are described in Note 6.

COUNTY OF TIOGA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

Note 1 Summary of Significant Accounting Policies - Continued

Deferred Outflows and Inflows of Resources - Continued

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 County reports deferred inflows related to pensions which are further described in Note 6. In addition, the governmental funds report unavailable revenue from taxes and loans receivable that remain uncollected 60 days after year end.

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.

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.

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

COUNTY OF TIOGA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

***Note 1* Summary of Significant Accounting Policies - Continued**

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 9.
- 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 \$978,715 is reported as an accrued liability in the Governmental Activities, as such amounts were not due and payable at December 31, 2015.

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* 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.

COUNTY OF TIOGA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

***Note 2* Cash and Investments - Continued**

Total financial institution (bank) balances at December 31, 2015, per the bank, were \$33,393,985, with a carrying value of \$33,083,639 for the primary government which includes \$54,470 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 \$776,188, and held by the TASC trustee.

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.

Credit Risk

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

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

COUNTY OF TIOGA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

***Note 2* Cash and Investments - Continued**

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 FOR THE YEAR ENDED DECEMBER 31, 2015

***Note 2* Cash and Investments - Continued**

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.

Discretely Presented Component Unit - Industrial Development Agency (Agency)

The Agency had cash with a carrying value of \$2,931,266. 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 \$1,773,831 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 \$1,422,594, with interest rates ranging from 0.20% to 1.15%, all of which mature in 2016.

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

The District had cash deposits with a carrying value of \$1,037,474. Total financial institution (bank) balances at December 31, 2015 were \$1,050,000, which were either insured or collateralized with securities held by the pledging financial institution in the District's name.

***Note 3* 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 in subsequent years. During the 2012 budget process, the New York State Legislature agreed to phase down the cap. 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 FOR THE YEAR ENDED DECEMBER 31, 2015

Note 4 Receivables

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 unearned revenue.

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.

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 \$679,016 of tobacco settlement revenues for the year ended December 31, 2015. The amount recognized in the Statement of Activities, on the accrual basis, is \$1,371,514.

Other Accounts Receivable

Other accounts receivable as of December 31, 2015, are as follows:

Governmental Activities

Various fees and charges:

Recorded in the General Fund	\$	125,812
Recorded in the Road Machinery Fund		104
Recorded in the Internal Service Fund		51,220
Tobacco settlement revenues recorded in the TTASC Fund		<u>1,371,514</u>

Total	\$	<u>1,548,650</u>
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COUNTY OF TIOGA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

Note 5 Capital Assets

Capital asset activity for the year ended December 31, 2015, was as follows:

<u>Governmental Activities</u>	<u>Balance at 12/31/14</u>	<u>Additions</u>	<u>Reclassifications and Deletions</u>	<u>Balance at 12/31/15</u>
Non-Depreciable Capital Assets:				
Land and land improvements	\$ 1,344,100	\$	\$	\$ 1,344,100
Construction in progress	209,405	3,303,520	(2,327,168)	1,185,757
Total Non-Depreciable Capital Assets	<u>1,553,505</u>	<u>3,303,520</u>	<u>(2,327,168)</u>	<u>2,529,857</u>
Depreciable Capital Assets:				
Buildings	34,356,349	273,207		34,629,556
Machinery and equipment	14,206,675	1,367,093	(273,275)	15,300,493
Infrastructure	64,024,435	1,962,923	2,327,168	68,314,526
Total Depreciable Capital Assets	<u>112,587,459</u>	<u>3,603,223</u>	<u>2,053,893</u>	<u>118,244,575</u>
Total Historical Cost	<u>114,140,964</u>	<u>6,906,743</u>	<u>(273,275)</u>	<u>120,774,432</u>
Less Accumulated Depreciation:				
Buildings	(9,561,384)	(935,929)		(10,497,313)
Machinery and equipment	(10,485,496)	(1,242,881)	216,744	(11,511,633)
Infrastructure	(29,663,977)	(2,942,233)		(32,606,210)
Total Accumulated Depreciation	<u>(49,710,857)</u>	<u>(5,121,043)</u>	<u>216,744</u>	<u>(54,615,156)</u>
Governmental Activities Capital Assets, Net	<u>\$ 64,430,107</u>	<u>\$ 1,785,700</u>	<u>\$ (56,531)</u>	<u>\$ 66,159,276</u>

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government support	\$ 929,782
Public safety	569,571
Public health	87,050
Transportation	3,456,367
Economic assistance and opportunity	71,741
Home and community services	<u>6,532</u>
Total	<u>\$ 5,121,043</u>

COUNTY OF TIOGA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

Note 5 Capital Assets - Continued

Capital asset activity for the Industrial Development Agency for the year ended December 31, 2015, was as follows:

	Balance at 12/31/14	Additions	Deletions	Balance at 12/31/15
Land and land improvements	\$ 896,346	\$ 16,550	\$ (279,385)	\$ 633,511
Railroad tracking and facilities	1,976,669			1,976,669
Machinery and equipment	3,721		(2,020)	1,701
Total Historical Cost	2,876,736	16,550	(281,405)	2,611,881
Less Accumulated Depreciation	(1,090,228)	(23,305)	2,020	(1,111,513)
Capital Assets, Net	\$ 1,786,508	\$ (6,755)	\$ (279,385)	\$ 1,500,368

Capital asset activity for the Soil and Water Conservation District for the year ended December 31, 2015, was as follows:

	Balance at 12/31/14	Additions	Deletions	Balance at 12/31/15
Office equipment	\$ 25,695	\$ 6,043	\$	\$ 31,738
Program buildings and equipment	1,331,736	37,886		1,369,622
Total Historical Cost	1,357,431	43,929		1,401,360
Less Accumulated Depreciation	(767,849)	(101,331)		(869,180)
Capital Assets, Net	\$ 589,582	\$ (57,402)	\$ -	\$ 532,180

Note 6 Pension Obligations - New York State and Local Employees' Retirement System (ERS)

For the fiscal year ended December 31, 2015, the County implemented GASB Statement No. 68 "Accounting and Financial Reporting for Pensions - Amendment to GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." The implementation of the Statements requires the County to report as an asset and/or liability its portion of the collective net pension liability in the New York State Employees' Retirement System. The implementation of the Statements also requires the County to report a deferred outflow and/or inflow of resources for the effect of the net change in the County's proportion of the collective net pension liability and difference during the measurement period between the County's contributions and its proportionate share of total contributions to the pension system not included in pension expense. Also included as a deferred outflow is the County's contributions to the pension system subsequent to the measurement date.

COUNTY OF TIOGA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

***Note 6* Pension Obligations - New York State and Local Employees' Retirement System (ERS) - Continued**

Plan Descriptions and Benefits Provided

The County participates in the New York State and Local Employees' Retirement System (ERS). The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all assets and record changes in fiduciary net position allocated to the System. Participating employers are required under the RSSL to contribute to the System at an actuarially determined rate adopted annually by the Comptroller.

The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Generally, members of the System are employees of the State and its municipalities, other than New York City.

ERS is a cost-sharing, multiple-employer defined benefit pension plan. The System is included in the State's financial report as a pension trust fund. The Public Employees' Group Life Insurance Plan (GLIP) provides death benefits in the form of life insurance. In these statements, GLIP amounts are apportioned to and included in ERS.

Separately issued financial statements for the System can be accessed on the Comptroller's website at <http://www.osc.state.ny.us/pension/cafr.htm> or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

Members who joined the System prior to January 1, 2010 need five years of service to be 100% vested. Members who joined on or after January 1, 2010 require ten years of service credit to be 100% vested.

Generally, Tier 1 and 2 members are not required to contribute to the System, Tier 3, 4, and 5 members must contribute 3% of their salary to the System. As a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees, with a membership date on or after July 27, 1976, who have ten or more years of membership or credited service with the System, are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members required to contribute for all years of service.

COUNTY OF TIOGA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

**Note 6 Pension Obligations - New York State and Local Employees' Retirement System (ERS)
- Continued**

Summary of Significant Accounting Policies

The System's financial statements from which the System's fiduciary net position is determined are prepared using the accrual basis of accounting. Plan member contributions are recognized when due and the employer has a legal requirement to provide the contributions.

Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Plan investments are reported at fair value. For detailed information on how investments are valued, please refer to the System's annual report.

Contributions

Contributions for the current year and two preceding Plan years were equal to 100% of the contributions required, and were as follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
ERS	\$ 2,962,866	\$ 3,421,461	\$ 3,082,607

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2015, the County reported the following liability for its proportionate share of the net pension liability for the System. The net pension liability was measured as of March 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The County's proportionate share of the net pension liability was based on a projection of the County's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was derived from report provided to the County by the ERS System.

	<u>ERS</u>
Actuarial valuation date	04/01/2014
Net pension liability	\$ 3,378,245,000
County's proportionate share of the Plan's total net pension liability	2,577,656

COUNTY OF TIOGA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

**Note 6 Pension Obligations - New York State and Local Employees' Retirement System (ERS)
- Continued**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions - Continued**

For the year ended December 31, 2015, the County recognized pension expense of \$2,637,171 for ERS in the financial statements. At December 31, 2015 the County reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources:

	ERS
Deferred Outflows of Resources:	
Differences between expected and actual experience	\$ 82,514
Net differences between projected and actual earnings on pension plan investments	447,706
County's contributions subsequent to the measurement date	1,896,455
Total	\$ 2,426,675
Deferred Inflows of Resources:	
Changes in proportion and differences between the County's contributions and proportionate share of contributions	\$ (616,372)
Total	\$ (616,372)

County contributions subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	ERS
Year ended:	
2016	\$ (21,538)
2017	(21,538)
2018	(21,538)
2019	(21,538)
2020	-
Thereafter	-

COUNTY OF TIOGA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

Note 6 Pension Obligations - New York State and Local Employees' Retirement System (ERS) - Continued

Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>
Measurement date	March 31, 2015
Actuarial valuation date	April 1, 2014
Investment rate of return	7.5%
Salary increases	4.9%
Inflation rate	2.7%

For ERS, annuitant mortality rates are based on April 1, 2005 - March 31, 2010 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 - March 31, 2010.

COUNTY OF TIOGA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

Note 6 Pension Obligations - New York State and Local Employees' Retirement System (ERS) - Continued

Actuarial Assumptions - Continued

The long term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

	<u>ERS</u>
Measurement date	March 31, 2015
Asset Type:	
Domestic equities	7.3%
International equities	8.5%
Real estate	8.3%
Private equity/Alternative investments	11.0%
Absolute return strategies	6.8%
Opportunistic portfolio	8.6%
Real assets	8.7%
Cash	2.3%
Inflation-indexed bonds	4.0%
Mortgages and bonds	4.0%

Discount Rate

The discount rate used to calculate the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and contributions from employers will be made at statutorily required rates, actuarially. Based on the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

COUNTY OF TIOGA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

**Note 6 Pension Obligations - New York State and Local Employees' Retirement System (ERS)
- Continued**

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or higher than the current rate:

ERS	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
County's proportionate share of the net pension liability	\$ 17,181,191	\$ 2,577,656	\$ (9,751,349)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of employers as of the valuation date were as follows:

	Dollars in Thousands
	ERS
Valuation date	April 1, 2014
Employers' total pension liability	\$ 164,591,504
Plan net position	(161,213,259)
Employers' Net Pension Liability	\$ 3,378,245
Ratio of Plan Net Position to the Employers' Total Pension Liability	97.9%

Effect on Net Position

Changes in the net pension liability and deferred outflows and inflows of resources for the year ended December 31, 2015 resulted in the following effect on net position:

	Beginning Balance	Change	Ending Balance
Net pension liability	\$ (3,447,964)	\$ 870,308	\$ (2,577,656)
Deferred outflows of resources	2,222,149	204,526	2,426,675
Deferred inflows of resources	-	(616,372)	(616,372)
Total	\$ (1,225,815)	\$ 458,462	\$ (767,353)

COUNTY OF TIOGA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

Note 6 Pension Obligations - New York State and Local Employees' Retirement System (ERS) - Continued

Restatement of Net Position

For the fiscal year ended December 31, 2015, the County implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - Amendment to GASB Statement No. 27," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." The implementation of these new accounting standards resulted in the reporting of deferred outflows of resources, a liability, and deferred inflows of resources related to the County's participation in the New York State and Local Employees' Retirement System. The County's net position has been restated as follows:

Net Position Beginning of Year, as Previously Stated	\$ 18,392,742
GASB Statement No. 68 implementation:	
Beginning system liability - Employees' Retirement System	(3,447,964)
Beginning deferred outflow of resources for contributions subsequent to the measurement date	<u>2,222,149</u>
Net Position Beginning of Year, as Restated	<u>\$ 17,166,927</u>

Note 7 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 2015, 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 2015, expected contributions for this program were \$2,486,115.

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, 2015 for the year ending December 31, 2015 and January 1, 2013 for the fiscal years ending December 31, 2014 and 2013.

COUNTY OF TIOGA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

Note 7 **Postemployment Benefits Other Than Pensions - Continued**

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. 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	\$ 9,030,538
Interest on net OPEB obligation	1,840,021
Adjustment to annual required contribution	<u>(2,557,898)</u>
Annual OPEB Cost (Expense)	8,312,661
Contributions made (expected)	<u>(2,486,115)</u>
Increase in Net OPEB Obligation	5,826,546
 Net OPEB Obligation - January 1, 2015	 <u>46,000,514</u>
 Net OPEB Obligation - December 31, 2015	 <u><u>\$ 51,827,060</u></u>

COUNTY OF TIOGA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

Note 7 Postemployment Benefits Other Than Pensions - Continued

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2015 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>
12/31/2015	\$ 8,312,661	29.9%	\$ 51,827,060
12/31/2014	\$ 8,021,793	28.1%	\$ 46,000,514
12/31/2013	\$ 7,687,257	25.6%	\$ 40,232,870

As of December 31, 2015, the Plan was not funded. The actuarial accrued liability for benefits was \$91,700,522; there are no assets legally segregated for the Plan. The covered payroll (annual payroll of active employees covered by the Plan) was \$16,604,721 and the ratio of the Unfunded Actuarial Accrued Liability (UAAL) to the covered payroll was 552%. 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, 2015, Actuarial Valuation Report, the projected unit credit actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 8.5% initially, reduced by decrements to an ultimate rate of 3.84% in 2076. The rate includes a 4% inflation assumption.

COUNTY OF TIOGA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

Note 8 Long-term Debt

At December 31, 2015, the total outstanding indebtedness of the County aggregated to \$33,022,537. Of this amount, \$16,640,000 is subject to the statutory debt limit, and represents approximately 9.6% of the County's debt limit.

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.

The following is a summary of serial bond indebtedness as of December 31, 2015:

	Interest	Maturity	Amount
Serial Bonds			
Issued by TTASC:			
Series 2005	4.25-5.00%	12/31/2040	\$ 13,932,915
Add current year additions to accreted interest on capital appreciation bonds			2,449,622
Carrying value of TTASC bonds			16,382,537
Issued by the County:			
Public Improvement - 2010	3.360-9.069%	03/27/2030	7,670,000
Public Improvement - 2013	1.50-2.75%	08/15/2023	8,970,000
Total			\$ 33,022,537

The TTASC Series 2005 bonds are comprised of tax exempt turbo bonds in the amount of \$11,600,000 and \$2,332,915 of tax exempt turbo capital appreciation bonds. As of December 31, 2015, total accreted interest of \$2,449,622 has been accrued on the capital appreciation bonds, for a total carrying value of \$4,782,537.

COUNTY OF TIOGA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

Note 9 Other Long-term Obligations

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

Compensated Absences: Represents the value of earned and unused portion of the liability for compensated absences and is liquidated in various funds.

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 Fund.

Other Postemployment Benefits: Represents the County's liability for retiree health insurance.

Net Pension Liability: Represent the County's proportionate share of the NYSLRS net pension liability.

Note 10 Indebtedness and Certain Long-term Obligations

The following is a summary of changes in long-term obligations for the period ended December 31, 2015:

	Balance at 12/31/14 (as restated)	Additions	Deletions	Balance at 12/31/15	Amount Due within One Year
Long-term Liabilities					
Governmental Activities:					
Bonds Payable	\$ 32,012,915		\$ (1,440,000)	\$ 30,572,915	\$ 1,910,000
Accreted Interest	2,119,809	329,813		2,449,622	
Carrying Value of Bonds	34,132,724	329,813	(1,440,000)	33,022,537	1,910,000
Other Long-term Liabilities					
Compensated absences	909,415	69,300		978,715	978,715
Other postemployment benefits	46,000,514	5,826,546		51,827,060	
Net pension liability	3,447,964		(870,308)	2,577,656	
Self-insurance liabilities	6,078,459		(328,459)	5,750,000	840,000
Total	\$ 90,569,076	\$ 6,225,659	\$ (2,638,767)	\$ 94,155,968	\$ 3,728,715

Additions and deletions to compensated absences, other postemployment benefits, net pension liability, and self-insurance liabilities, as it is impractical to determine these amounts separately.

COUNTY OF TIOGA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

Note 10 **Indebtedness and Certain Long-term Obligations - Continued**

Annual requirements to amortize the debt on outstanding bonds as of December 31, 2015 are as follows:

County				
Year	Principal	Interest	Interest Subsidy	Total
2016	\$ 1,415,000	\$ 692,699	\$ (168,683)	\$ 1,939,016
2017	1,450,000	652,775	(168,683)	1,934,092
2018	1,495,000	610,986	(165,415)	1,940,571
2019	1,535,000	566,684	(158,029)	1,943,655
2020	1,570,000	520,101	(149,495)	1,940,606
2021-2025	6,045,000	1,772,355	(590,296)	7,227,059
2026-2030	3,130,000	601,565	(239,885)	3,491,680
Totals	\$ 16,640,000	\$ 5,417,165	\$ (1,640,486)	\$ 20,416,679

TTASC			
Year	Principal	Interest	Total
2016	\$ 495,000	\$ 475,612	\$ 970,612
2017	530,000	451,000	981,000
2018	685,000	424,500	1,109,500
2019	730,000	390,250	1,120,250
2020	780,000	353,750	1,133,750
2021-2025	4,735,000	1,125,750	5,860,750
2026-2030	4,768,698	4,025,486	8,794,184
2031-2035	747,488	5,443,847	6,191,335
2036-2040	461,729	4,999,620	5,461,349
Totals	\$ 13,932,915	\$ 17,689,815	\$ 31,622,730

Interest expense on bonds for the year ending December 31, 2015 is as follows:

	County	TTASC	Total
Interest paid	\$ 734,957	\$ 571,900	\$ 1,306,857
Accreted interest		329,813	329,813
Less: Prior year accrued interest	(217,998)		(217,998)
Plus: Current year accrued interest	213,330		213,330
Total	\$ 730,289	\$ 901,713	\$ 1,632,002

COUNTY OF TIOGA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

Note 10 **Indebtedness and Certain Long-term Obligations - Continued**

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
2016	\$ 90,791
2017	94,034
2018	96,117
2019	94,388
2020	76,836
Thereafter	600,070
Total	\$ 1,052,236

Interest expense was \$17,743 for the year ended December 31, 2015.

Note 11 **Interfund Receivables/Payables and Transfers**

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

The Governmental Funds financial statements generally reflect such transactions as transfers whereas the Proprietary Funds record such transactions as non-operating revenues or expenses. Interfund receivables/payables and transfers at December 31, 2015 were as follows:

	Interfund Receivables	Interfund Payables	Interfund Revenue	Interfund Expense
General Fund	\$ 1,455,924	\$ 1,831,964	\$ 760,115	\$ 2,511,073
County Road Fund	1,435,687	1,319,601	1,785,687	30,000
Capital Projects Funds	129,500		172,500	66,620
Non-Major Funds	281,776	151,322	567,886	15,000
Total Governmental Funds	3,302,887	3,302,887	3,286,188	2,622,693
Internal Service Funds				663,495
Total	\$ 3,302,887	\$ 3,302,887	\$ 3,286,188	\$ 3,286,188

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.

COUNTY OF TIOGA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

Note 12 Fund Balances

Restricted Fund Balances

- 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, 2015 totaled \$127,277.
- The County Legislature requires 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, 2015 was \$6,997.
- The County Legislature permits collection of fees for hotel/motel usage. Unexpended hotel/motel usage revenue restricted in the General Fund at December 31, 2015 was \$151,643.
- The County Legislature permits collection of fees from illegal handicapped parking. Unexpended handicapped parking revenue restricted in the General Fund at December 31, 2015 was \$997.
- 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 in the General Fund at December 31, 2015 was \$154,909.
- 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, 2015 was \$38,364.
- The County created various reserves in the Capital Fund. They consist of the following balances:

Software reserve	\$: 630,523
Hardware reserve	230
Public land, structure, and equipment	370,188
Financial management system	<u>774,165</u>
Total	<u>\$: 1,775,106</u>

COUNTY OF TIOGA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

Note 12 Fund Balances - Continued

Fund Balance Detail

At December 31, 2015, fund balance in the governmental funds was comprised of the following:

	General Fund	County Road Fund	Capital Projects Funds	Non- Major Funds
Nonspendable				
Prepaid expenses	\$ 720,962	\$	\$	\$ 2,301
Total Nonspendable Fund Balance	\$ 720,962	\$ -	\$ -	\$ 2,301
Restricted				
Miscellaneous reserves (See previous page)	\$ 441,823	\$	\$ 1,775,106	\$ 38,364
Unspent debt proceeds			4,569,938	
TTASC liquidity reserve				776,188
Total Restricted Fund Balance	\$ 441,823	\$ -	\$ 6,345,044	\$ 814,552
Assigned				
Appropriated for next year's budget	\$ 1,757,544	\$	\$ 833,200	\$ 75,000
Encumbered for:				
General government	62,397			
Education	166,343			
Public safety	82,388			
Public health	111,513			
Transportation		21,743		
Economic assistance and opportunity	53,763			
Culture and recreation	57			
Home and community services	10,000			
Employee benefits	2,700			
Assigned for:				
General government	51,778			
Public safety	16,299			
Transportation		209,751		320,774
Home and community services				810,213
Debt payment				54,470
Capital projects			6,153,093	
Total Assigned Fund Balance	\$ 2,314,782	\$ 231,494	\$ 6,986,293	\$ 1,260,457
Unassigned				
Unassigned fund balance	\$ 18,071,168	\$	\$	\$
Total Unassigned Fund Balance	\$ 18,071,168	\$ -	\$ -	\$ -

COUNTY OF TIOGA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

Note 12 Fund Balances - Continued

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	\$ 7,601,419
Less unspent debt proceeds	<u>(4,569,938)</u>

Restricted net position in the government-wide financial statements \$ 3,031,481

Note 13 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 on three factors: total property tax assessed value, total payroll, and prior years' claims for each participant. The County is completely self-insured with regard to workers' compensation claims and is the administrator for this fund. The net deficit of this fund was \$(2,770,352) at December 31, 2015, as the County has not fully funded incurred but not reported claims.

The Consolidated Health Insurance Fund provided self-insurance coverage up to an annual ceiling for health and dental claims for employees of each participating municipality. This fund was closed during 2015.

COUNTY OF TIOGA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

Note 13 Risk Management - Continued

The estimated accrued claims of \$5,750,000 reported in the Internal Service Funds at December 31, 2015 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, 2015 including discounted long-life workers' compensation awards within the Workers' Compensation Fund. Changes in the funds' liabilities for the year ended December 31, 2015 were:

	Liability Beginning of Year	Claims and Changes in Estimates	Claim Payments	Liability End of Year
Workers' compensation	\$ 5,750,000	\$ 846,128	\$ 846,128	\$ 5,750,000
Property and health claims	328,459	(313,907)	14,552	-
Total	\$ 6,078,459	\$ 532,221	\$ 860,680	\$ 5,750,000

Note 14 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. The current lease is for ten years ending December 31, 2015, with the option to renew for four additional ten year periods.

Note 15 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, 2015

	Original Budget	Final Budget	Actual	Encumbrances	Variance Favorable- (Unfavorable)
REVENUES					
Real property taxes	\$ 21,725,228	\$ 21,725,228	\$ 21,585,568	\$	\$ (139,660)
Real property tax items	2,288,057	2,288,057	2,347,340		59,283
Nonproperty tax items	18,781,485	18,781,485	19,717,783		936,298
Departmental income	5,271,415	5,421,622	4,572,470		(849,152)
Intergovernmental charges	576,400	576,400	421,031		(155,369)
Use of money and property	68,000	68,000	81,864		13,864
Licenses and permits	40,000	40,000	53,340		13,340
Fines and forfeitures	109,000	109,000	80,608		(28,392)
Sale of property and compensation for loss	22,000	22,000	22,000		-
Miscellaneous local sources	293,000	297,681	319,334		21,653
State sources	10,516,435	11,026,307	8,821,819		(2,204,488)
Federal sources	7,238,792	7,355,977	7,705,798		349,821
Total Revenues	66,929,812	67,711,757	65,728,955	-	(1,982,802)
EXPENDITURES					
General governmental support	11,148,989	11,262,278	10,234,786	62,397	965,095
Education	3,999,000	4,393,926	4,091,128	166,343	136,455
Public safety	9,958,052	10,001,254	7,648,139	82,388	2,270,727
Health	5,008,407	5,021,878	4,364,389	111,513	545,976
Transportation		137,507			137,507
Economic assistance and opportunity	20,260,754	20,408,057	18,501,704	53,763	1,852,590
Culture and recreation	346,041	347,096	338,412	57	8,627
Home and community services	830,528	986,779	767,759	10,000	209,020
Employee benefits	12,329,314	12,329,314	11,302,934		1,026,380
Debt service (principal and interest)	2,114,958	2,114,958	2,114,957		1
Total Expenditures	65,996,043	67,003,047	59,364,208	486,461	7,152,378
Excess of Revenues (Expenditures)	933,769	708,710	6,364,747	(486,461)	5,169,576
OTHER FINANCING (USES)					
Interfund transfers in		(30,000)	760,115		790,115
Interfund transfers (out)	(3,033,769)	(3,078,769)	(2,511,073)		567,696
Total Other Financing (Uses)	(3,033,769)	(3,108,769)	(1,750,958)	-	1,357,811
Excess of (Expenditures) Revenues and Other Financing (Uses) Sources	(2,100,000)	(2,400,059)	4,613,789	\$ (486,461)	\$ 6,527,387
Appropriated Fund Balance	2,100,000	2,400,059			
Net Increase	\$ -	\$ -	4,613,789		
Fund Balance, Beginning			16,934,946		
Fund Balance, Ending			\$ 21,548,735		

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

COUNTY OF TIOGA

BUDGETARY COMPARISON SCHEDULE (NON-GAAP) COUNTY ROAD FUND FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance Favorable- (Unfavorable)</u>
REVENUES					
Use of money and property	\$	\$	211	\$	\$ 211
Sale of property and compensation for loss			6,183		6,183
Miscellaneous local sources			215		215
State sources		42,478	32,470		(10,008)
Federal sources		222,275	203,780		(18,495)
Total Revenues	-	264,753	242,859	-	(21,894)
EXPENDITURES					
Current					
Transportation	1,345,957	1,620,710	1,549,253	21,743	49,714
Employee benefits	839,163	839,163	719,904		119,259
Total Expenditures	2,185,120	2,459,873	2,269,157	21,743	168,973
Excess of Revenues (Expenditures)	(2,185,120)	(2,195,120)	(2,026,298)	(21,743)	147,079
OTHER FINANCING (USES)					
Interfund transfers in	2,185,120	2,200,120	1,785,687		(414,433)
Interfund transfers (out)		(30,000)	(30,000)		-
Total Other Financing (Uses)	2,185,120	2,170,120	1,755,687	-	(414,433)
Excess of (Expenditures) and Other Financing (Uses)	-	(25,000)	(270,611)	\$ (21,743)	\$ (267,354)
Appropriated Fund Balance		25,000			
Net Increase	\$ -	\$ -	(270,611)		
Fund Balance, Beginning			502,105		
Fund Balance, Ending			\$ 231,494		

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

COUNTY OF TIOGA

SCHEDULE OF FUNDING PROGRESS FOR THE YEAR ENDED DECEMBER 31, 2015

Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2015	1/1/2015	\$ -	\$ 91,700,522	\$ 91,700,522	0%	\$ 16,604,721	552%
2014	1/1/2013	-	84,685,800	84,685,800	0%	16,715,820	507%
2013	1/1/2013	-	79,853,675	79,853,675	0%	17,305,396	461%
2012	1/1/2011	-	116,812,711	116,812,711	0%	17,869,551	654%
2011	1/1/2011	-	109,663,719	109,663,719	0%	16,982,572	646%
2010	1/1/2009	-	83,868,078	83,868,078	0%	17,340,899	484%
2009	1/1/2009	-	79,576,846	79,576,846	0%	17,348,091	459%

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

COUNTY OF TIOGA

SCHEDULE OF COUNTY'S CONTRIBUTIONS NYSLRS PENSION PLAN FOR THE LAST 2 FISCAL YEARS

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,962,866	\$ 3,421,461
Contributions in relation to the contractually required contribution	2,982,866	3,421,461
Contribution deficiency (excess)	-	-
County's covered - employee payroll	15,319,512	17,185,738
Contributions as a percentage of covered - employee payroll	19.30%	19.90%

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

COUNTY OF TIOGA

SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY NYSLRS PENSION PLAN FOR THE YEAR ENDED DECEMBER 31,

	2015
Proportion of the net pension liability	<u>0.0763016%</u>
Proportionate share of the net pension liability	2,577,656
Covered-employee payroll during the measurement period	15,319,512
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	16.80%
Plan fiduciary net position as a percentage of the total pension liability	97.9%

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, 2015

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).

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, 2015.

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.

Note 4 **Schedule of County's Contributions - NYSLRS Pension Plan**

The Schedule of County's Contributions - NYSLRS Pension Plan presents two years of information. This schedule will present ten years of information as it becomes available.

Note 5 **Schedule of the County's Proportionate Share of the Net Pension Liability - NYSLRS Pension Plan**

The Schedule of the County's Proportionate Share of the Net Pension Liability - NYSLRS Pension Plan present one year of information. This schedule will present ten years of information as it becomes available.

COUNTY OF TIOGA

COMBINING BALANCE SHEET NON-MAJOR GOVERNMENTAL FUNDS DECEMBER 31, 2015

	Special Revenue Funds		
	Special Grant Fund	Refuse and Garbage Fund	Road Machinery Fund
ASSETS			
Cash and cash equivalents - Unrestricted	\$ 417,658	\$ 153,090	\$ 62,783
Cash and cash equivalents - Restricted		38,364	
Due from other funds			281,776
Due from state and federal governments	25,166	127,794	
Other receivables, net			104
Prepaid expenses			
Loans receivable	299,362		
Total Assets	\$ 742,186	\$ 319,248	\$ 344,663
LIABILITIES			
Accounts payable	\$ 1,836	\$ 374	\$ 8,889
Accrued liabilities	(675)		
Due to other funds	136,322		15,000
Total Liabilities	137,483	374	23,889
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue			
Total Deferred Inflows of Resources			
FUND BALANCES			
Nonspendable			
Restricted		38,364	
Assigned	604,703	280,510	320,774
Total Fund Balances	604,703	318,874	320,774
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 742,186	\$ 319,248	\$ 344,663

See Independent Auditor's Report

Debt Service Fund (TTASC)	Total Non-Major Governmental Funds
\$ 54,470	\$ 688,001
<u>776,188</u>	<u>814,552</u>
	<u>281,776</u>
	<u>152,960</u>
<u>1,371,514</u>	<u>1,371,618</u>
<u>2,301</u>	<u>2,301</u>
	<u>299,362</u>
<u>\$ 2,204,473</u>	<u>\$ 3,610,570</u>

\$	\$ 11,099
	<u>(675)</u>
	<u>151,322</u>
	<u>161,746</u>
<u>1,371,514</u>	<u>1,371,514</u>

<u>2,301</u>	<u>2,301</u>
<u>776,188</u>	<u>814,552</u>
<u>54,470</u>	<u>1,260,457</u>
<u>832,959</u>	<u>2,077,310</u>
<u>\$ 2,204,473</u>	<u>\$ 3,610,570</u>

COUNTY OF TIOGA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NON-MAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2015

	Special Revenue Funds		
	Special Grant Fund	Refuse and Garbage Fund	Road Machinery Fund
REVENUES			
Real property taxes	\$	1,005,591	\$
Real property tax items		55,762	
Departmental income		84,557	
Use of money and property	10,161	335	148
Sale of property and compensation for loss			44,454
Tobacco settlement			
State sources		127,794	
Federal sources	300,303		
Total Revenues	310,464	1,274,039	44,602
EXPENDITURES			
Current			
General governmental support			
Transportation			480,929
Economic assistance and opportunity	205,509		
Home and community services		1,147,757	
Employee benefits	135,762	27,937	133,109
Debt service (principal and interest)			
Total Expenditures	341,271	1,175,694	614,038
Excess of Revenues (Expenditures)	(30,807)	98,345	(569,436)
OTHER FINANCING SOURCES (USES)			
Interfund transfers in			567,886
Interfund transfers (out)			(15,000)
Total Other Financing Sources (Uses)	-	-	552,886
Excess of Revenues (Expenditures) and Other Financing Sources (Uses)	(30,807)	98,345	(16,550)
Fund Balances, Beginning	635,510	220,529	337,324
Fund Balances, Ending	\$ 604,703	\$ 318,874	\$ 320,774

See Independent Auditor's Report

Debt Service Fund (TTASC)	Total Non-Major Governmental Funds
\$ _____	\$ 1,005,591
_____	55,762
_____	84,557
15	10,659
_____	44,454
679,016	679,016
_____	127,794
_____	300,303
679,031	2,308,136
_____	_____
43,569	43,569
_____	480,929
_____	205,509
_____	1,147,757
_____	296,808
631,900	631,900
_____	_____
675,469	2,806,472
_____	_____
3,562	(498,336)
_____	_____
_____	567,886
_____	(15,000)
_____	_____
-	552,886
_____	_____
3,562	54,550
_____	_____
829,397	2,022,760
_____	_____
\$ 832,959	\$ 2,077,310

**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*, issued by the Comptroller General of the United States 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, 2015 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 August 6, 2017. Our report includes a reference to other auditors who audited the financial statements of the Tioga County Soil and Water Conservation District and 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, which are described in the accompanying Schedule of Findings and Questioned Costs as Reference No. 2006-002 and 2015-001.

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*.

County of Tioga's Response to Findings

The County's responses to the findings identified in our audit are described in the Schedule of Findings and Questioned Costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Respectfully Submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
August 6, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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 *OMB 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, 2015. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2, U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance 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.

Opinion on Each Major Federal Program

In our opinion, the County 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, 2015.

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 of compliance, we considered the County's internal control over compliance 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 Uniform Guidance, 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully Submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
August 6, 2017

COUNTY OF TIOGA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Catalog #</u>	<u>Pass-Through Grantor #</u>	<u>Expenditures to Subrecipients</u>	<u>Expenditures</u>
U.S. Department of Agriculture				
Passed Through NYS Department of Family Services:				
SNAP Cluster:				
State Administrative Grants for the Supplemental Nutrition Assistance Program	10.561	(1)	\$	\$ 855,505
Total SNAP Cluster				<u>855,505</u>
Total U.S. Department of Agriculture				<u>855,505</u>
U.S. Department of Labor				
Passed Through State Department of Labor:				
WIA Cluster:				
WIA - Adult Program	17.258	(1)		107,563
WIA - Youth Activities	17.259	(1)		80,368
WIA - Dislocated Worker Formula Grants	17.278	(1)		110,431
Total WIA Cluster				<u>298,362</u>
Total U.S. Department of Labor				<u>298,362</u>
U.S. Department of Transportation				
Passed Through State Department of Transportation:				
Federal Transit Cluster:				
Federal Transit Capital Investment Grants	20.500	(1)		301,033
Total Federal Transit Cluster				<u>301,033</u>
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	(1)		2,252,485
Total Highway Planning and Construction Cluster				<u>2,252,485</u>
Total U.S. Department of Transportation				<u>2,553,518</u>
U.S. Department of Education				
Passed Through NYS Department of Health:				
Special Education - Grants for Infants and Toddlers	84.181(A)	(1)		24,166
Total U.S. Department of Education				<u>24,166</u>
U.S. Election Assistance Commission				
Passed Through New York State Office of General Services:				
Help America Vote Act Requirements Payments	90.401	(1)		2,567
Total U.S. Election Assistance Commission				<u>2,567</u>
 Subtotal Expenditures of Federal Awards				 <u>3,734,118</u>

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

COUNTY OF TIOGA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2015

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Catalog #</u>	<u>Pass-Through Grantor #</u>	<u>Expenditures to Subrecipients</u>	<u>Expenditures</u>
Subtotal Expenditures of Federal Awards Carried Forward			\$	\$ <u>3,734,118</u>
U.S. Department of Health and Human Services				
Passed Through Health Research, Inc.:				
Public Health Preparedness and Response to Bioterrorism	93.074	1623-08		51,985
Passed Through NYS Department of Family Services:				
TANF Cluster:				
Temporary Assistance for Needy Families (TANF)	93.558	(1)		<u>4,266,989</u>
Total TANF Cluster				<u>4,266,989</u>
Child Support Enforcement	93.563	(1)		364,084
Low-Income Home Energy Assistance	93.568	(1)		2,971,659
CCDF Cluster:				
Child Care and Development Block Grant	93.575	(1)		<u>1,302,761</u>
Total CCDF Cluster				<u>1,302,761</u>
Foster Care-Title IV-E	93.658	(1)		606,189
Adoption Assistance	93.659	(1)		207,473
Social Services Block Grant	93.667	(1)		425,255
Chafee Foster Care Independence Program	93.674	(1)		11,075
Medicaid Cluster:				
Medical Assistance Program	93.778	(1)		<u>510,968</u>
Total Medicaid Cluster				<u>510,968</u>
Passed Through NYS Division of Alcohol and Substance Abuse:				
Block Grant for the Prevention and Treatment of Substance Abuse	93.959	(1)		138,919
Passed Through the NYS Office of Mental Health:				
Maternal and Child Health Services Block Grant to the States	93.994	(1)		26,223
Immunization Cooperative Agreements	93.268	(1)		<u>31,222</u>
Total U.S. Department of Health and Human Services				<u>10,914,802</u>
U.S. Department of Homeland Security				
Passed Through New York State Division of Homeland Security and Emergency Services:				
State and Local Homeland Security Exercise Support	97.006	(1)		83,805
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(1)		214,136
Homeland Security Grant Program	97.067	(1)		<u>19,594</u>
Total U.S. Department of Homeland Security				<u>317,535</u>
Total Expenditures of Federal Awards			\$	<u><u>-</u></u> \$ <u>14,966,455</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, 2015

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 the Uniform Guidance. 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. 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. The County has not elected to use the 10% de minimus cost rate.

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 **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.

COUNTY OF TIOGA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2015

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 2 CFR 200.516(a)? yes no

Identification of major programs:

<u>CFDA Numbers:</u>	<u>Name of Federal Program or Cluster:</u>
<u>10.561</u>	<u>State Administrative Matching Grants for SNAP</u>
<u>20.205</u>	<u>Highway Planning and Construction</u>
<u>93.568</u>	<u>Low-Income Home Energy Assistance</u>
<u>93.575</u>	<u>Child Case and Development Block Grant</u>
<u>93.778</u>	<u>Medical Assistance Program</u>

Dollar threshold used to distinguish between type A and type B programs \$ 750,000

Auditee qualified as low-risk auditee: yes no

COUNTY OF TIOGA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2015

Section II - Financial Statement Findings

Reference No. 2006-002

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.

Reference No. 2015-001

Condition:

The 2015 financial statements were not completed on a timely basis.

Criteria:

Audited financial statements are due nine months after year-end.

Cause/Effect:

The County did not timely file the audited financial statements.

Recommendation:

We recommend the County complete and file its financial statements timely.

Corrective Action Plan:

The installation of new finance software will alleviate this issue.

Section III - Federal Award Findings and Questioned Costs:

None