

COUNTY OF TIOGA

Owego, New York

FINANCIAL REPORT

December 31, 2011

COUNTY OF TIOGA
FOR THE YEAR ENDED DECEMBER 31, 2011

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John H. Dietershagen, C.P.A.
Jerry E. Mickelson, C.P.A.
Thomas K. Van Derzee, C.P.A.
Debbie Conley Jordan, C.P.A.
Patrick S. Jordan, C.P.A.
Duane R. Shoen, C.P.A.
Lesley L. Horner, C.P.A.
D. Leslie Spurgin, C.P.A.



Ciaschi • Dietershagen • Little • Mickelson & Company, LLP

Certified Public Accountants and Consultants

Frederick J. Ciaschi, C.P.A.

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, 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, 2011, which, with the discretely presented component units, collectively comprise the County's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Tioga Tobacco Asset Securitization Corporation, Tioga County Soil and Water Conservation District, or the Tioga County Industrial Development Agency. The financial statements of the Tioga Tobacco Asset Securitization Corporation, Tioga County Soil and Water Conservation District and the Tioga County Industrial Development Agency were audited by other auditors whose reports, issued in accordance with auditing standards generally accepted in the United States of America, have been furnished to us. Our opinions, insofar as they relate to the amounts included in the Tioga Tobacco Asset Securitization Corporation, Tioga County Soil and Water Conservation District and the Tioga County Industrial Development Agency, are based on the reports of the other auditors. The Tioga Tobacco Asset Securitization Corporation represents 1.4% and 0.9% respectively, of the assets and revenues of the Governmental Activities. The Tioga County Soil and Water Conservation District and the County of Tioga Industrial Development Agency represent 17.3% and 82.7%, and 64.2% and 35.8%, respectively, of the assets and revenues of the discretely presented component units. The financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

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 as of December 31, 2011 and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

During the year ended December 31, 2011, the County implemented Governmental Accounting Standards Board Statement Number 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

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CORTLAND

39 Church Street
Cortland, New York 13045
607-753-7439
fax 607-753-7874

ITHACA

401 East State Street ~ Suite 500
Ithaca, New York 14850
607-272-4444
fax 607-273-8372
www.cdlim.com

WATKINS GLEN

108 West Fourth Street
Watkins Glen, New York 14891
607-535-4443
fax 607-535-6220

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 2 through 2i and 39 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

September 7, 2012
Ithaca, New York

COUNTY OF TIOGA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011. Please read this information in conjunction with the County's financial statements, which begin on page 3.

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$37,982,976 (net assets) compared to \$46,082,475 in 2010. Reasons for the increase included investment in capital assets and payment of bond principal offset by the required recognition of other postemployment benefits.
- The deficit unrestricted net assets, \$(3,226,246), is primarily the result of the requirement to record other postemployment benefits liability expense of \$8,846,040.
- As of December 31, 2011, the County's Governmental Funds reported combined fund balances of \$26,895,958. Approximately 72.3% of the combined fund balances, or \$19,440,427, 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 \$12,769,573. Of this, \$677,957 is non-spendable, \$441,851 is restricted and \$6,464,067 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 Assets and the Statement of Activities (on pages 3 through 4a) provide information about the County as a whole and present a longer-term view of the County's finances. Governmental Fund financial statements start on page 5. For Governmental Activities, these statements tell how these services were financed in the short term, as well as what remains for future spending. Governmental Fund financial statements also report the County's operations in more detail than the Government-wide financial statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside the government. Following these statements are notes that provide additional information that is essential to a full understanding of the data provided in the financial statements.

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

Reporting the County as a Whole

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

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

COUNTY OF TIOGA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

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

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

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

Reporting the County's Most Significant Funds

Fund Financial Statements

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

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

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

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

COUNTY OF TIOGA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

THE COUNTY AS A WHOLE

The County's net assets for fiscal year ended December 31, 2011 decreased \$(8,099,499), from \$46,082,475 to \$37,982,976. In contrast, last year net assets increased by \$218,339.

The largest portion of the County's net assets, \$40,729,007, reflects its investment in capital assets (e.g. land, buildings, machinery & equipment and infrastructure) less any related debt used to acquire those assets still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided by other sources, as the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the County's net assets, \$480,215, represents resources that are subject to external restrictions on how they may be used and are reported as restricted net assets. These net assets consist of \$480,215 for grants from State and Federal agencies.

The remaining category of total net assets, unassigned net assets, which shows a deficit of \$(3,226,246), may be used to meet the government's ongoing obligations and services to creditors and citizens.

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

Figure 1 - Net Assets

	Governmental Activities		Percent Change
	2010	2011	2010 - 2011
<i>Current assets</i>	\$ 46,686,943	\$ 46,015,963	(1.4%)
<i>Capital assets, net</i>	57,818,324	61,181,564	5.8%
<i>Other noncurrent assets</i>	1,252,329	1,203,238	(3.9%)
Total Assets	105,757,596	108,400,765	2.5%
<i>Current liabilities</i>	12,467,768	14,897,523	19.5%
<i>Noncurrent liabilities</i>	47,207,353	55,520,266	17.6%
Total Liabilities	59,675,121	70,417,789	18.0%
<i>Invested in capital assets, net of debt</i>	35,561,019	40,729,007	14.5%
<i>Restricted net assets</i>	414,329	480,215	15.9%
<i>Unrestricted net assets</i>	10,107,127	(3,226,246)	(131.9%)
Total Net Assets	\$ 46,082,475	\$ 37,982,976	(17.6%)

Current assets showed a decrease of \$(670,980), primarily due to the timing of payments and receipts. Capital assets, net of accumulated depreciation, of \$61,181,564 at December 31, 2011 increased by \$3,363,240, primarily as a result of transportation projects. The detail of capital assets, including the current year activity, is disclosed in the notes to the financial statements.

COUNTY OF TIOGA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

The increase in current liabilities is primarily due to timing, as well as increases in payables related to flood expenses. Also contributing to the change in current liabilities is the County's estimate of a recoupment of Medicaid revenues relating to fiscal years 2005-2009. At the end of December 31, 2010, the County had set up a liability in the amount of \$1.2 million to cover such recoupment. This liability was based on information provided to the County each year. During 2011, the State recouped \$826,074 for fiscal years 2003-2005. After communication with New York State, it is estimated the recoupment for fiscal years 2005-2009 will be \$874,480. Between the recoupment that occurred in 2011 and the one anticipated in 2012, the County has accrued an additional \$450,645 to cover this loss.

The change in noncurrent liabilities reflects the increase in other postemployment liability of \$8,846,040.

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

The County's total revenues increased by 1.1%, while the total cost of all programs and services increased 11.3%, due to an increase in expenses related to flood damage and the increase of other postemployment benefits liability expense (OPEB) noted above. Our analysis in Figure 2 considers the operations of Governmental Activities.

Figure 2 - Changes in Net Assets

	Governmental Activities		Percent Change
	2010	2011	2010 - 2011
REVENUES			
<i>Program Revenues:</i>			
Charges for services	\$ 13,005,009	\$ 11,682,306	(10.2%)
Operating grants and contributions	18,731,580	16,147,792	(13.8%)
Capital grants and contributions	2,790,052	5,088,801	82.4%
<i>General Revenues:</i>			
Property taxes and tax items	23,212,612	23,477,249	1.1%
Sales and other taxes	17,941,848	19,533,149	8.9%
Tobacco settlement	688,152	707,018	2.7%
Use of money and property	165,372	299,337	81.0%
Recoupment of additional Medicaid revenue	-0-	(450,645)	(100.0%)
Other	766,469	1,223,581	59.6%
Total Revenues	\$ 77,301,094	\$ 77,708,588	0.5%
PROGRAM EXPENSES			
General government	15,688,674	16,607,932	5.9%
Education	4,514,133	4,405,754	(2.4%)
Public safety	12,001,403	13,569,619	13.1%
Public health	10,812,554	11,893,104	10.0%
Transportation	6,210,055	6,613,338	6.5%
Economic assistance and opportunity	24,168,952	25,478,346	5.4%
Culture and recreation	252,026	252,070	(0.0%)
Home and community	2,335,798	5,498,092	135.4%
Interest on debt	1,099,160	1,489,832	35.5%
Total Expenses	\$ 77,082,755	\$ 85,808,087	11.3%
INCREASE (DECREASE) IN NET ASSETS	\$ 218,339	\$ (8,099,499)	(3,810.0%)

COUNTY OF TIOGA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

Governmental Activities

Revenues

- Charges for services decreased (10.2%) due to a decrease in public health for home nursing charges and mental health fees of \$1,099,600, a decrease in public safety for jail facilities fees to other governments of \$261,000 and a decrease in home and community services for refuse and garbage charges of \$93,700, resulting from flood damage to the County transfer station.
- Operating grants and contributions decreased in total by nearly \$(2.6) million in 2011 from the prior year, due to decreases in federal aid for public health and economic assistance.
- Capital grants increased from 2010 by 82.4%. This increase is primarily due to state and federal aid for emergency disaster assistance.
- Property tax and tax items increased approximately 1.1%, due to an increase in the tax levy.
- Non-property tax items consist primarily of sales and use taxes and showed an increase of almost \$1.6 million in 2011.
- The increase in use of money and property revenue reflects revenue from a new easement agreement in 2011.
- As described on page 2c, the recoupment of additional Medicaid revenue is due to the settlement of Medicaid rates for fiscal years 2005-2009.
- Miscellaneous revenue increased compared to 2010 largely due to insurance recoveries resulting from flood losses.

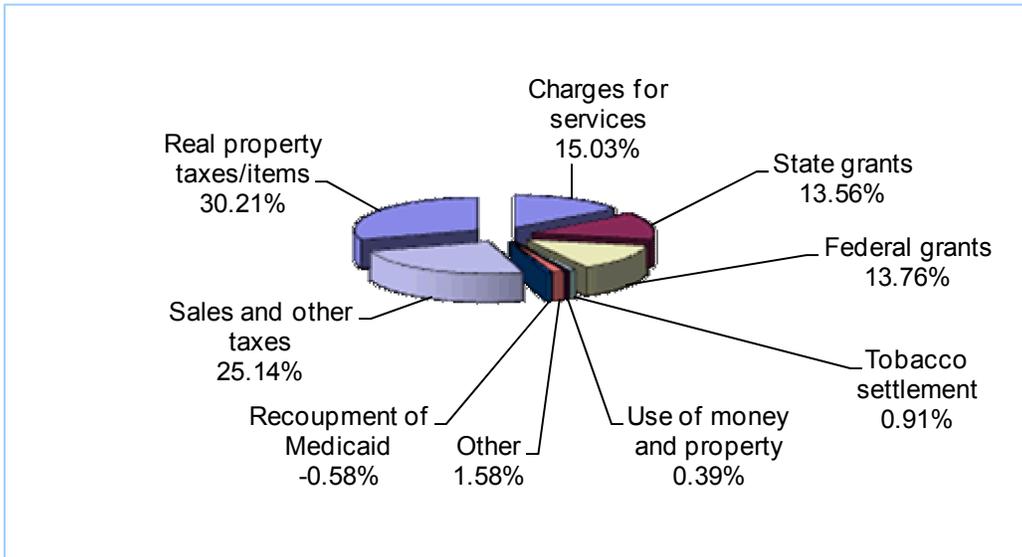
Expenses

- General government expenses increased by approximately \$900,000, most of which was the result of higher sales tax collections to be distributed to towns of \$589,000 and an increase in other postemployment benefits expense of \$504,000, offset by savings in other areas.
- The decrease in education expense of over \$(108,000) is due to a decrease in demand for services for education of handicapped children.
- Public safety expenses increased by about \$1.57 million as the result of an increase in other postemployment benefits expense of \$1,018,000 and \$426,000 in retirement and health insurance expenses.
- Public health expenses increased by approximately \$1 million, primarily as a result of increases in other postemployment benefits expense of \$722,000 and increases in retirement and health insurance benefits of \$297,000.
- Economic assistance and opportunity expenses were approximately \$1.3 million higher in 2011, primarily due to increased social service program demands of approximately \$395,000, increases in other postemployment benefits expense of \$725,000 and retirement and health insurance benefits of \$241,000.
- Home and community services increased by over \$3 million due to clean up efforts resulting from the September, 2011 flood.
- Interest on debt increased (35.5%) due to interest on new debt of \$9,000,000.

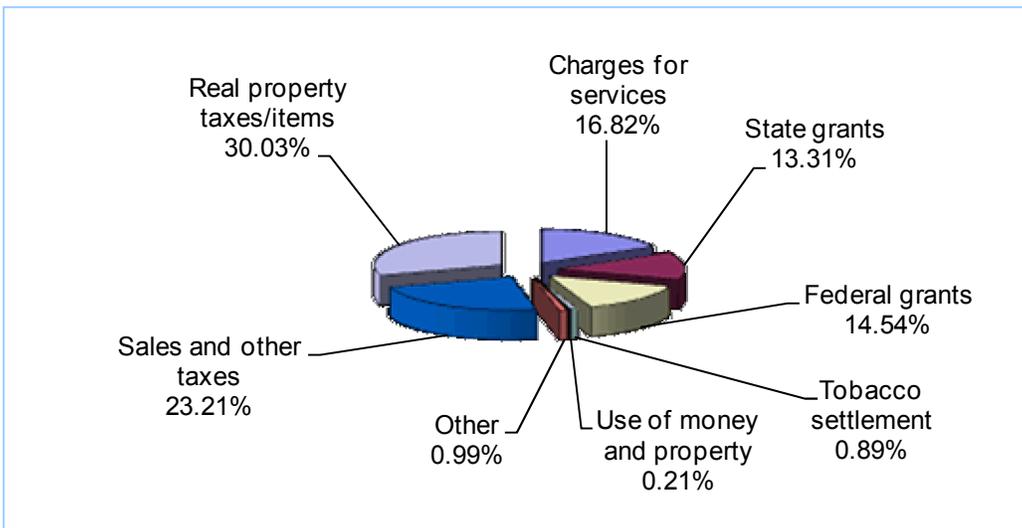
COUNTY OF TIOGA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2011

Figures 3 and 4 show the sources of revenue for 2011 and 2010, without the effect of the Medicaid recoupment of \$450,645 in 2011.

**Figure 3 - Revenues by Source
Governmental Activities
2011**

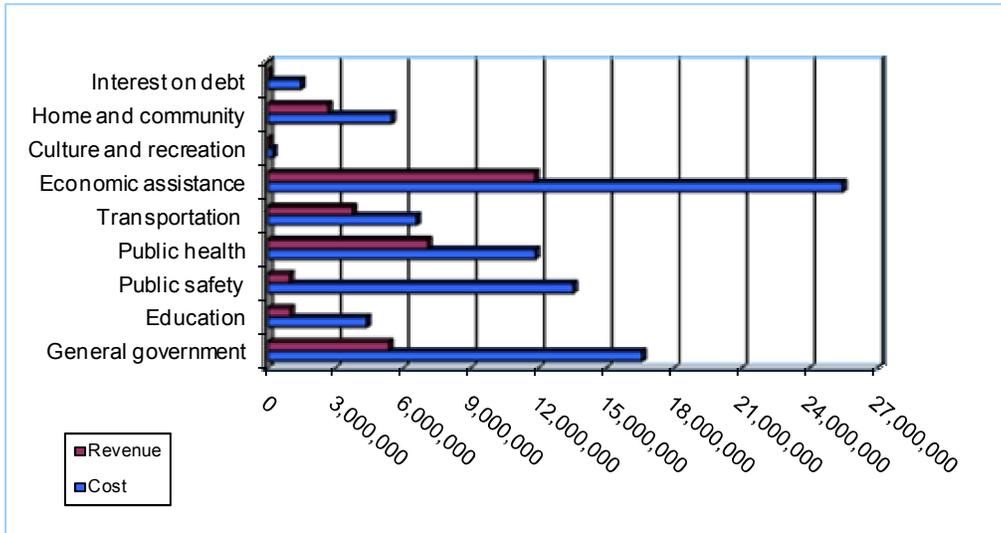


**Figure 4 - Revenues by Source
Governmental Activities
2010**

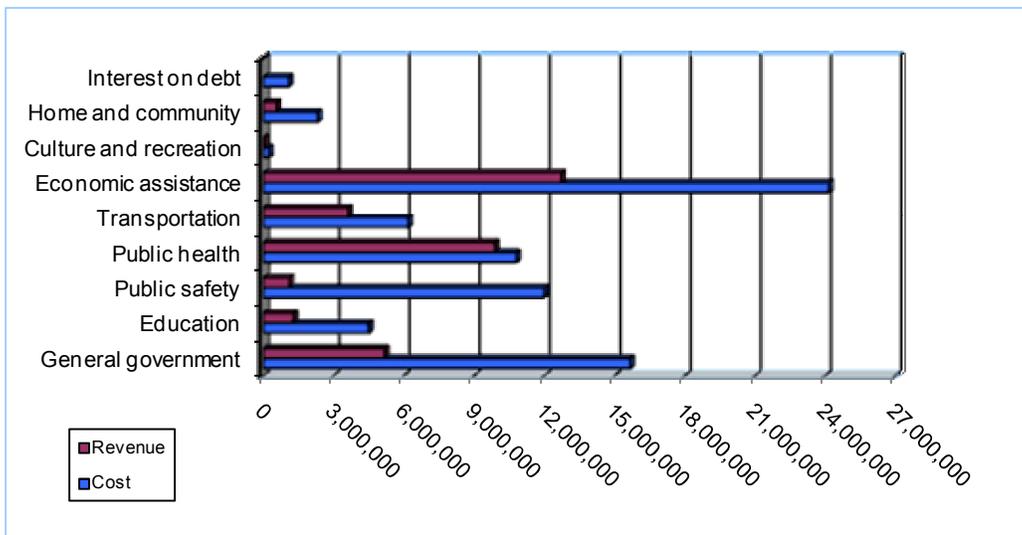


COUNTY OF TIOGA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2011

**Figure 5 - Net Program Cost
 Governmental Activities
 2011**



**Figure 6 - Net Program Cost
 Governmental Activities
 2010**



COUNTY OF TIOGA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011, the County's operating fund, the General Fund, reported a fund balance of \$12,769,573, compared with the prior year's fund balance of \$16,040,072; a decrease of \$(3,270,499). Fund balance in the General Fund includes unassigned, fund balance of \$5,185,698, which is available for spending at management's discretion. The County has assigned \$6,464,067 of the total fund balance for 2012 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 \$441,851 or consists of prepaid expenses of \$677,957. The Capital Projects Fund reported a fund balance of \$11,460,890, compared with the prior year's fund balance of \$12,452,001, a decrease of \$(991,111). The County's Non-Major Governmental Funds reported fund balances of \$2,665,495, compared with prior year fund balances of \$2,527,564; an increase of \$137,731 from the prior year.

General Fund Budgetary Highlights

For 2011, actual expenditures in the General Fund were \$3 million or 4.5% lower than the revised budget, while actual revenues were \$1.3 million, or 2.0% higher than the revised revenue estimate. The General Fund budget was increased by approximately \$3 million during the year to \$71.8 million. Increases were primarily due to higher public safety and health expenditures.

Real Property taxes and tax items revenue was approximately \$22.6 million in 2011, which was \$423,583 more than budgeted. The County, at December 31, 2011, had a maximum taxing power of \$40,096,276. Non-property tax revenues were approximately \$18.6 million in 2011, \$2.9 million higher than budgeted. Departmental revenue was down due to lower public health nursing and mental health fees. The largest appropriation variances were in public safety and public health, with expenditures of \$6.8 and \$7.3 million and under budget by \$0.76 and \$0.86, respectively. Employee benefits were approximately \$11.1 million in 2011, \$0.75 million lower than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its Governmental Activities as of December 31, 2011, amounted to \$61,181,564, net of accumulated depreciation, compared to \$57,818,324 at December 31, 2010. This investment in capital assets includes land, buildings, improvements, machinery and equipment, roads and bridges. The total increase in the County's investment in capital assets for the current fiscal year was 5.8% compared to 1.2% in 2010.

COUNTY OF TIOGA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

Figure 7 - Capital Assets, Net of Depreciation

	Governmental Activities		Percent Change
	2010	2011	2010 - 2011
<i>Land</i>	\$ 1,355,100	\$ 1,344,100	(0.8%)
<i>Construction in progress</i>	545,564	360,427	(33.9%)
<i>Buildings and improvements</i>	30,115,542	30,564,797	1.5%
<i>Equipment</i>	11,297,747	12,416,247	9.9%
<i>Infrastructure</i>	48,047,765	53,700,688	11.8%
<i>Total Capital Assets at Historical Cost</i>	91,361,718	98,386,259	7.7%
<i>Accumulated depreciation</i>	(33,543,394)	(37,204,695)	10.9%
Total Capital Assets, Net of Accumulated Depreciation	\$ 57,818,324	\$ 61,181,564	5.8%

This year's additions consisted of:

Construction in progress	\$ 181,501
Buildings	428,015
Machinery and equipment	1,328,538
Infrastructure	<u>5,304,355</u>
Total Additions	7,242,409
Depreciation expense	(3,887,502)
Net book value of disposed assets	<u>8,333</u>
Total Change in Capital Assets, net of Accumulated Depreciation	\$ <u>3,363,240</u>

Debt Administration

At the end of 2011, the County and its blended component unit had total debt outstanding, in the form of serial bonds, of \$26,749,916. The County's debt of \$11,185,000 is backed by the full faith and credit of the County. Of this amount, \$11,185,000 is subject to the County's statutory debt limit of \$169,256,600, which represents approximately 6.6% of the County's debt limit. The blended component unit, Tioga Tobacco Asset Securitization Corporation, has debt of \$15,564,916, which is backed by Tobacco Settlement Revenues.

Figure 8 - Outstanding Debt at Years Ended

	Governmental Activities	
	2010	2011
<i>Beginning outstanding debt</i>	\$ 18,898,032	\$ 27,308,043
<i>Bonds issued during the year</i>	9,000,000	-
<i>Addition of accreted interest on TTASC bonds</i>	230,011	246,873
<i>Paid during the year</i>	(820,000)	(805,000)
Totals	\$ 27,308,043	\$ 26,749,916

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

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

COUNTY OF TIOGA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- The County Legislature is sensitive to the property tax burdens on the community. In developing the 2012 budget, the County had some difficult decisions to make due to the poor economic times, the first phase of recovery from the major 2011 flood disaster, and the new 2% tax cap implemented by the state. The County increased spending by \$2.8 million, offset by a \$1.3 million increase in sales tax revenue and \$1.1 million in additional appropriated fund balance. The remainder was funded by a 1.66% real property tax levy, for a total tax levy of \$20,596,898.
- 2012 year-to-date sales tax collection is up, close to \$1,000,000 for the first six months.
- The County property tax base grew by 9.39% in 2011, mainly due to a revaluation in the Town of Spencer. If that revaluation is excluded from the analysis, the increase would have been 0.58%. The valuation in some of the larger towns and villages within the County will likely show a decrease in the future, due to property damage and lost homes caused by flooding.
- In 2012, the County plans to meet our infrastructure schedule by replacing four bridges and 3 major roads at a cost of \$5.4 million. Build America Bond proceeds will finance \$3.9 million of these infrastructure projects.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

COUNTY OF TIOGA
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	Primary Government	Component Units	
	Governmental Activities	Industrial Development Agency	Soil and Water Conservation District
<u>ASSETS</u>			
Current Assets:			
Cash and cash equivalents	\$ 21,521,921	\$ 2,061,419	\$ 1,051,785
Restricted cash	7,046,238	2,976,256	
Investments		1,251,569	
Restricted investments		34,368	
Taxes receivable, net	5,900,648		
Accounts receivable, net	1,881,144	599,040	418,374
Loans and leases receivable - current portion	161,602	145,069	
Due from state and federal governments	8,824,299		
Prepaid expenses	680,111		15,486
Total Current Assets	46,015,963	7,067,721	1,485,645
Noncurrent Assets:			
Restricted cash and cash equivalents	776,013		
Loans and leases receivable, long-term portion		881,915	
Unamortized bond issue costs	427,225	42,867	
Capital assets-land and construction in progress	1,704,527	695,216	
Capital assets-depreciable, net of accumulated depreciation	59,477,037	960,212	534,333
Total Noncurrent Assets	62,384,802	2,580,210	534,333
Total Assets	108,400,765	9,647,931	2,019,978
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts payable	3,733,372	103,325	235,837
Accrued liabilities	1,233,142	3,008,942	122
Interest payable	180,149		
Due to other governments	5,136,504		
Compensated absences	935,953		
Retained percentages	172,821		
Deferred revenue	980,582	127,319	241,087
Self insurance accruals	1,100,000		
Long-term obligations due within one year	1,425,000	923,674	
Total Current Liabilities	14,897,523	4,163,260	477,046
Long-term obligations due after one year	55,520,266	1,008,108	35,582
Total Liabilities	70,417,789	5,171,368	512,628
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	40,729,007	785,428	534,333
Restricted	480,215	359,529	188,153
Unrestricted	(3,226,246)	3,331,606	784,864
Total Net Assets	\$ 37,982,976	\$ 4,476,563	\$ 1,507,350

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Program Revenues			
<u>FUNCTIONS/PROGRAMS</u>	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General governmental support	\$ 16,607,932	\$ 5,037,376	\$ 348,221	\$
Education	4,405,754		1,020,034	
Public safety	13,569,619	578,255	424,291	
Health	11,893,104	4,442,992	2,669,735	11,000
Transportation	6,613,338		932,361	2,851,692
Economic assistance and opportunity	25,478,346	1,197,053	10,666,747	
Culture and recreation	252,070		44,179	
Home and community services	5,498,092	426,630	42,224	2,226,109
Interest on debt	1,489,832			
Total Primary Government	\$ 85,808,087	\$ 11,682,306	\$ 16,147,792	\$ 5,088,801
Component Units:				
Industrial Development Agency	1,392,136	1,319,767	456,781	
Soil and Water Conservation	3,209,576	140,741	2,773,783	
Total Component Units	\$ 4,601,712	\$ 1,460,508	\$ 3,230,564	\$ -0-

Net (Expense) Revenue and Changes in Net Assets 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
Recoupment of Medicaid for mental health programs

Total General Revenues

Change in Net Assets

Net Assets - Beginning, as restated
(Soil and Water Conservation District)

Net Assets - Ending

See Independent Auditor's Report and Notes to Financial Statements

Net (Expense) Revenue and
Changes in Net Assets

Primary Government	Component Units	
Total Governmental Activities	Industrial Development Agency	Soil and Water Conservation District
\$ (11,222,335)	\$ _____	\$ _____
<u>(3,385,720)</u>	<u>_____</u>	<u>_____</u>
<u>(12,567,073)</u>	<u>_____</u>	<u>_____</u>
<u>(4,769,377)</u>	<u>_____</u>	<u>_____</u>
<u>(2,829,285)</u>	<u>_____</u>	<u>_____</u>
 (13,614,546)	 <u>_____</u>	 <u>_____</u>
<u>(207,891)</u>	<u>_____</u>	<u>_____</u>
<u>(2,803,129)</u>	<u>_____</u>	<u>_____</u>
<u>(1,489,832)</u>	<u>_____</u>	<u>_____</u>
<u>(52,889,188)</u>	<u>-0-</u>	<u>-0-</u>
 <u>_____</u>	 <u>384,412</u>	 <u>_____</u>
<u>_____</u>	<u>_____</u>	<u>(295,052)</u>
<u>_____</u>	<u>384,412</u>	<u>(295,052)</u>
<u>(52,889,188)</u>	<u>384,412</u>	<u>(295,052)</u>
 <u>23,477,249</u>	 <u>_____</u>	 <u>_____</u>
<u>19,533,149</u>	<u>_____</u>	<u>_____</u>
<u>_____</u>	<u>_____</u>	<u>189,235</u>
<u>707,018</u>	<u>_____</u>	<u>_____</u>
<u>299,337</u>	<u>57,499</u>	<u>_____</u>
<u>1,106,939</u>	<u>_____</u>	<u>188,245</u>
<u>116,642</u>	<u>_____</u>	<u>_____</u>
<u>(450,645)</u>	<u>_____</u>	<u>_____</u>
<u>44,789,689</u>	<u>57,499</u>	<u>377,480</u>
<u>(8,099,499)</u>	<u>441,911</u>	<u>82,428</u>
<u>46,082,475</u>	<u>4,034,652</u>	<u>1,424,922</u>
 <u>\$ 37,982,976</u>	 <u>\$ 4,476,563</u>	 <u>\$ 1,507,350</u>

COUNTY OF TIOGA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	Major Funds		Total Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Capital Projects Funds		
<u>ASSETS</u>				
Assets:				
Cash and cash equivalents - Unrestricted	\$ 13,173,961	\$ 86,711	\$ 1,477,544	\$ 14,738,216
- Restricted		7,046,238	776,013	7,822,251
Taxes receivable, net	5,900,648			5,900,648
Other receivables, net	675,863	467,061	714,733	1,857,657
Due from other funds	369,452	2,577,145	770,947	3,717,544
Due from state and federal governments	5,407,426	3,400,311	16,562	8,824,299
Prepaid expenses	677,957		2,154	680,111
Loans receivable			161,602	161,602
 Total Assets	 <u>\$ 26,205,307</u>	 <u>\$ 13,577,466</u>	 <u>\$ 3,919,555</u>	 <u>\$ 43,702,328</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 1,485,090	\$ 1,943,755	\$ 227,879	\$ 3,656,724
Accrued liabilities	651,541		50,670	702,211
Due to other funds	3,436,484		273,723	3,710,207
Due to other governments	5,136,504			5,136,504
Retained percentages		172,821		172,821
Deferred revenues	2,726,115		701,788	3,427,903
Total Liabilities	<u>13,435,734</u>	<u>2,116,576</u>	<u>1,254,060</u>	<u>16,806,370</u>
Fund Balances:				
Nonspendable	677,957			677,957
Restricted	441,851	6,297,359	38,364	6,777,574
Assigned	6,464,067	5,163,531	2,627,131	14,254,729
Unassigned	5,185,698			5,185,698
 Total Fund Balances	 <u>12,769,573</u>	 <u>11,460,890</u>	 <u>2,665,495</u>	 <u>26,895,958</u>
 Total Liabilities and Fund Balances	 <u>\$ 26,205,307</u>	 <u>\$ 13,577,466</u>	 <u>\$ 3,919,555</u>	 <u>\$ 43,702,328</u>

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2011

Total Governmental Fund Balances \$ 26,895,958

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

Capital assets, net of accumulated depreciation, used in Governmental Activities are not financial resources and, therefore, are not reported in the funds. See Note 2.A.8

Historical cost of capital assets	\$ 98,386,259	
Less accumulated depreciation	<u>(37,204,695)</u>	<u>61,181,564</u>

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 2,447,321

Internal Service Funds are used by management to charge the costs of certain activities, such as health and workers' compensation insurance. The assets and liabilities of the Internal Service Funds are included in Governmental Activities in the Statement of Net Assets. 292,276

Certain accrued expenses, such as interest on debt, reported in the Statement of Net Assets do not require the use of current financial resources and, therefore, are not reported as liabilities in Governmental Funds. (180,149)

Bond issuance costs are fully expensed in the Governmental Funds, but amortized over a period of time in the Statement of Activities. 427,225

Long-term liabilities, including bonds payable, compensated absences, and other postemployment benefit liability, are not due and payable in the current period and, therefore, are not reported in the funds. See Note 2.B.2, 2.B.3 and 2.B.4.

Bonds payable	\$ (25,487,915)	
Accreted interest on TASC bonds	(1,262,001)	
Other postemployment benefit liability	(25,395,350)	
Compensated absences	<u>(935,953)</u>	<u>(53,081,219)</u>

Net Assets of Governmental Activities \$ 37,982,976

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, 2011

	<u>Major Funds</u>		Total Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Capital Projects Funds		
<u>REVENUES</u>				
Real property taxes	\$ 20,162,513	\$ _____	\$ 889,429	\$ 21,051,942
Real property tax items	2,406,752	_____	_____	2,406,752
Nonproperty tax items	18,573,837	959,312	_____	19,533,149
Departmental income	6,583,679	_____	411,232	6,994,911
Intergovernmental charges	479,682	_____	_____	479,682
Use of money and property	223,481	36,429	8,721	268,631
Licenses and permits	23,794	_____	_____	23,794
Fines and forfeitures	116,642	_____	_____	116,642
Sale of property and compensation for loss	48,283	550,684	_____	598,967
Miscellaneous local sources	494,113	_____	_____	494,113
Tobacco settlement revenue	_____	_____	693,381	693,381
Interfund revenues	13,426	_____	_____	13,426
State sources	9,194,566	1,336,235	8,304	10,539,105
Federal sources	6,801,319	3,609,654	284,715	10,695,688
Total Revenues	<u>65,122,087</u>	<u>6,492,314</u>	<u>2,295,782</u>	<u>73,910,183</u>
<u>EXPENDITURES</u>				
Current:				
General governmental support	10,062,138	_____	60,230	10,122,368
Education	4,405,340	_____	_____	4,405,340
Public safety	6,740,298	_____	_____	6,740,298
Health	7,094,388	_____	_____	7,094,388
Transportation	869,717	_____	1,813,296	2,683,013
Economic assistance and opportunity	20,270,319	_____	210,019	20,480,338
Culture and recreation	223,387	_____	_____	223,387
Home and community services	608,096	_____	1,110,272	1,718,368
Employee benefits	11,125,587	_____	964,462	12,090,049
Debt service (principal and interest)	1,341,163	_____	647,625	1,988,788
Capital outlay	_____	10,487,725	_____	10,487,725
Total Expenditures	<u>62,740,433</u>	<u>10,487,725</u>	<u>4,805,904</u>	<u>78,034,062</u>
Excess of Revenues (Expenditures)	2,381,654	(3,995,411)	(2,510,122)	(4,123,879)
<u>OTHER FINANCING SOURCES (USES)</u>				
Interfund transfers in	_____	3,004,300	2,647,853	5,652,153
Interfund transfers (out)	(5,652,153)	_____	_____	(5,652,153)
Total Other Financing Sources (Uses)	<u>(5,652,153)</u>	<u>3,004,300</u>	<u>2,647,853</u>	<u>-0-</u>
Excess of (Expenditures) Revenues and Other Financing (Uses) Sources	<u>(3,270,499)</u>	<u>(991,111)</u>	<u>137,731</u>	<u>(4,123,879)</u>
Fund Balances, Beginning	16,040,072	12,452,001	2,527,764	31,019,837
Fund Balances, Ending	<u>\$ 12,769,573</u>	<u>\$ 11,460,890</u>	<u>\$ 2,665,495</u>	<u>\$ 26,895,958</u>

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA
 RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Net Change in Fund Balances - Total Governmental Funds \$ (4,123,879)

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

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

Capital outlay	\$ 7,242,409	
Net book value of disposed assets	8,333	
Depreciation expense	<u>(3,887,502)</u>	<u>3,363,240</u>

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	<u>32,192</u>
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Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount of bond principal repayment.

Repayment of principal	<u>805,000</u>
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in Governmental Funds.

Change in compensated absences	\$ (102,032)	
Change in postemployment benefits liability	(8,846,040)	
Change in accrued interest payable	(10,042)	
Amortization of bond issue costs	(49,129)	
Change in accreted interest on TASC capital appreciation bonds	<u>(246,873)</u>	<u>(9,254,116)</u>

Internal Service Funds are used by management to charge the costs of certain activities, such as workers' compensation and insurance, to individual funds. The net revenue of the internal service fund is reported with Governmental Activities.	<u>1,078,064</u>
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Change in Net Assets of Governmental Activities	<u>\$ (8,099,499)</u>
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See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
DECEMBER 31, 2011

	<u>Governmental Activities Internal Service Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash and cash equivalents	\$ <u>6,783,705</u>
Accounts receivable, net	<u>23,487</u>
Due from other funds	<u>88,769</u>
Total Current Assets	<u>6,895,961</u>
Total Assets	<u>6,895,961</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts payable	<u>76,648</u>
Accrued liabilities	<u>530,931</u>
Due to other funds	<u>96,106</u>
Self insurance accruals	<u>1,100,000</u>
Total Current Liabilities	<u>1,803,685</u>
Noncurrent Liabilities:	
Benefits and awards payable	<u>4,800,000</u>
Total Noncurrent Liabilities	<u>4,800,000</u>
Total Liabilities	<u>6,603,685</u>
<u>NET ASSETS</u>	
Unrestricted	<u>292,276</u>
Total Net Assets	<u>\$ <u>292,276</u></u>

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Governmental Activities Internal Service Fund</u>
<u>OPERATING REVENUES</u>	
Charges for services - Governmental funds	\$ 8,165,161
Charges for services - External participants	4,158,186
Other operating revenues	96,734
 Total Operating Revenues	 <u>12,420,081</u>
<u>OPERATING EXPENSES</u>	
Salaries and wages	318,500
Contractual	915,468
Benefits and awards	10,027,608
Claims and judgments	111,147
 Total Operating Expenses	 <u>11,372,723</u>
 Income from Operations	 <u>1,047,358</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Interest income	30,706
 Total Nonoperating Revenues	 <u>30,706</u>
 Net Income Before Transfers	 <u>1,078,064</u>
 Change in Net Assets	 <u>1,078,064</u>
Net (Deficit), Beginning	(785,788)
Net Assets, Ending	<u>\$ 292,276</u>

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Governmental Activities Internal Service Fund</u>
Cash Flows from Operating Activities:	
Cash received from providing services - Governmental participants	\$ 8,126,168
- External participants	<u>4,143,764</u>
Cash received from insurance recoveries	<u>96,734</u>
Cash payments - Employees	<u>(1,280,427)</u>
Cash payments - Claims and benefits	<u>(10,751,563)</u>
Net Cash Provided by Operating Activities	<u>334,676</u>
Cash Flows from Non-capital Financing Activities	<u>-0-</u>
Cash Flows from Capital and Related Financing Activities	<u>-0-</u>
Cash Flows from Investing Activities:	
Interest income received	<u>30,706</u>
Net Increase in Cash and Cash Equivalents	<u>365,382</u>
Cash and Cash Equivalents, January 1,	<u>6,418,323</u>
Cash and Cash Equivalents, December 31,	<u>\$ 6,783,705</u>
Reconciliation of Income from Operations to Net Cash Provided by Operating Activities:	
Income from operations	\$ <u>1,047,358</u>
(Increase) in interfund receivable	<u>(38,993)</u>
(Increase) in other receivables	<u>(14,422)</u>
(Decrease) in interfund payable	<u>(961,927)</u>
Increase in accounts payable	<u>13,403</u>
Increase in accrued liabilities	<u>289,257</u>
Net Cash Provided by Operating Activities	<u>\$ 334,676</u>

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
DECEMBER 31, 2011

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<u>ASSETS</u>		
Cash and cash equivalents - Unrestricted	\$ <u>30,052</u>	\$ <u>446,465</u>
Total Assets	<u>30,052</u>	<u>\$ 446,465</u>
<u>LIABILITIES</u>		
Agency liabilities	<u> </u>	\$ <u>446,465</u>
Total Liabilities	<u>-0-</u>	<u>\$ 446,465</u>
<u>NET ASSETS</u>		
Held in trust for private purposes	\$ <u>30,052</u>	

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Private Purpose Trust Funds
<u>ADDITIONS</u>	
Contributions	\$ 6,590
Investment earnings	102
Total Additions	6,692
 <u>DEDUCTIONS</u>	
Distributions	7,114
Total Deductions	7,114
Change in Net Assets	(422)
Net Assets - Beginning	30,474
Net Assets - Ending	\$ 30,052

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

Note 1 - Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

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

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

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

1. Blended Component Units

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

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

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

2. Discretely Presented Component Units

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

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

B. Basic Financial Statements

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

1. Government-wide Financial Statements

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

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

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

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

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

2. Governmental Fund Financial Statements

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

a. Governmental Funds

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

1) Major Funds:

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

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

2) Non-Major Funds:

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

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

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

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

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

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

b. Proprietary Funds

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

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

c. Fiduciary Funds

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

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

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

C. Basis of Accounting/Measurement Focus

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

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
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1. Accrual Basis

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

2. Modified Accrual Basis

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

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

D. Use of Estimates

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

E. Equity Classifications

1. Government-wide Financial Statements

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

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

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

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

2. Governmental Fund Financial Statements

Governmental Fund equity is classified as fund balance. 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.

During the year ending December 31, 2011, the County implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." Statement No. 54 changes the terminology and classification of fund balance to reflect spending constraints on resources, rather than availability for appropriation. This approach is intended to provide users more consistent and understandable information about a fund's net resources.

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

- **Nonspendable**

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

- **Restricted**

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

Miscellaneous Reserve - Used for various purposes; aggregated and reported in the General Fund. See Note 2. A. 3.

- **Committed**

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

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
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- **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.

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

F. Property Taxes

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

The County guarantees the real property tax levies of the villages and school districts located within the County. At December 31, 2011, the County reflected liabilities to the school districts of \$3,154,720 and the villages of \$411,999 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 2012 and are included in due to other governments in the General Fund as of December 31, 2011.

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, 2011, total real property tax receivable was \$6,716,206 (before deduction of an allowance for uncollectible taxes of \$815,558). The portion of the receivable representing current year returned village and school taxes was \$3,580,769. The remaining portion of the tax receivable is offset by deferred tax revenues of \$1,745,533, which represents an estimate of the tax liens, and will not be collected within the first sixty (60) days of the subsequent year.

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
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G. Sales Tax

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

Effective March 1, 1994 the County increased its sales tax by 1/2% to 3-1/2%. The 1/2% increase in sales tax rate is not shared with the towns and villages and proceeds are restricted to a capital reserve fund to be used only to finance capital improvement projects. The Non-Major Governmental Funds' non-property tax item amounting to \$959,312 is sales tax designated for capital projects. At December 31, 2011 this amount included an accrual of \$248,830, which is included in State and Federal receivables in the General Fund, for sales that occurred in the State of New York in 2011 and had not been received by the County at December 31, 2011.

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

The General Fund's primary non-property tax item is sales tax, which amounted to \$18,129,761. At December 31, 2011 this amount included an accrual of \$1,990,645, which is included in State and Federal receivables, for sales that occurred in the State of New York in 2011 and had not been received by the County at December 31, 2011. Of the \$18,129,761 recognized as revenue, \$4,887,245 was distributed to local municipalities within the County.

H. Cash and Cash Equivalents

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

I. Receivables

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

J. Revenues

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

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

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
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K. Property, Plant, and Equipment

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

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

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

L. Vacation and Sick Leave and Compensatory Absences

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

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

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

Employees are granted vacation leave credits of 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 vacation leave totaling \$935,953 is reported as an accrued liability in the Governmental Activities, as such amounts were not due and payable at December 31, 2011.

M. Interfund Activity

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

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
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Note 2 - Detail Notes

A. Assets

1. Cash and Investments

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

Total financial institution (bank) balances at December 31, 2011, per the bank, were \$31,079,007, with a carrying value of \$28,997,465 for the primary government and \$47,211 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 \$776,013, and held by the TASC trustee.

a. Interest Rate Risk

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

b. Credit Risk

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

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

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
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c. Custodial Credit Risk

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

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

d. Investments

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

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

The Industrial Development Agency had cash with a carrying value of \$5,037,675. 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 \$3,010,624 was 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 \$1,285,937, with interest rates ranging from 0.45% to 1.09%, all of which mature in 2012.

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
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f. Discretely Presented Component Unit - Soil and Water Conservation District (District)

The District had cash deposits with a carrying value of \$1,051,785. Total financial institution (bank) balances at December 31, 2011 were \$1,106,692, which were either insured or collateralized with securities held by the pledging financial institution in the District's name.

2. Medicaid Claims

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

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

3. Special and Restricted Fund Balances

Miscellaneous Reserves

- i. State statutes require the County to reserve excess revenues over expenditures under the STOP DWI Program for use in the program in the following fiscal year. Excess STOP DWI funds reserved in the General Fund at December 31, 2011 totaled \$143,300.
- ii. The County Legislature permits collection of fees from telephone companies for the installation and operation of an Emergency 911 telephone system. A designation is therefore established in order for excess revenues to be used for this specific purpose in subsequent years. The amount designated in the General Fund at December 31, 2011 was \$89,425.
- iii. The County Legislature required the County to designate revenues from the forfeiture of criminal proceeds for the purpose of crime prevention. Unexpended criminal prevention revenue designated in the General Fund at December 31, 2011 was \$5,541.
- iv. The County Legislature permits collection of fees for hotel/motel usage. Unexpended hotel/motel usage revenue designated in the General Fund at December 31, 2011 was \$203,003.
- v. The County Legislature permits collection of fees from illegal handicapped parking. Unexpended handicapped parking revenue designated in the General Fund at December 31, 2011 was \$582.

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
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4. Fund Balances

a. Fund Balance Detail

At December 31, 2011, fund balance in the governmental funds was comprised of the following:

	General Fund	Capital Projects Funds	Non-Major Funds
<u>Nonspendable:</u>			
Prepaid expenses	\$ 677,957	\$ _____	\$ _____
Total Nonspendable Fund Balance	\$ 677,957	\$ -0-	\$ -0-
<u>Restricted:</u>			
Miscellaneous reserves (See 3.a. above)	\$ 441,851	\$ _____	\$ 38,364
Unspent debt proceeds	_____	6,297,359	_____
Total Restricted Fund Balance	\$ 441,851	\$ 6,297,359	\$ 38,364
<u>Assigned:</u>			
Appropriated for next year's budget	\$ 6,015,000	\$ 3,628,785	\$ _____
Encumbered for:			
General government	125,588		
Education	48,648		
Public safety	48,422		
Public health	159,391		
Economic assistance and opportunity	50,739		
Assigned for:			
General government			825,378
Public safety	16,279		
Transportation			730,632
Home and community services			1,071,121
Capital projects	_____	1,534,746	_____
Total Assigned Fund Balance	\$ 6,464,067	\$ 5,163,531	\$ 2,627,131
<u>Unassigned:</u>			
Unassigned fund balance	\$ 5,185,698	\$ _____	\$ _____
Total Unassigned Fund Balance	\$ 5,185,698	\$ -0-	\$ -0-

b. Reconciliation between Restricted Fund Balance and Restricted Net Assets

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 Assets.

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
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Restricted fund balance in the fund financial statements	\$ 6,777,574
Less unspent debt proceeds	<u>(6,297,359)</u>
Restricted net assets in the government-wide financial statements	<u>\$ 480,215</u>

5. State and Federal Receivables

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

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

6. 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 \$693,381 of tobacco settlement revenues for the year ended December 31, 2011. The amount recognized in the Statement of Activities, on the accrual basis, is \$707,018.

7. Other Accounts Receivable

Other accounts receivable as of December 31, 2011, are as follows:

Governmental Activities:

Various fees and charges	
Recorded in the General Fund	\$ 675,863
Recorded in the Special Grant Fund	12,945
Recorded in the Capital Fund	467,061
Recorded in the Internal Service Fund	23,487
Tobacco settlement revenues recorded in the TTASC Fund	<u>701,788</u>
Total Accounts Receivable	<u>\$ 1,881,144</u>

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
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FOR THE YEAR ENDED DECEMBER 31, 2011

8. Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

	<u>Balance at</u> 12/31/10	<u>Additions</u>	<u>Deletions/ Reclassifica- tions</u>	<u>Balance at</u> 12/31/11
<u>Governmental Activities:</u>				
Non-depreciable Capital Assets:				
Land and land improvements	\$ 1,355,100	\$	(11,000)	\$ 1,344,100
Construction in progress	<u>545,564</u>	<u>181,501</u>	<u>(366,638)</u>	<u>360,427</u>
Total Non Depreciable Capital Assets	1,900,664	181,501	(377,638)	1,704,527
Depreciable Capital Assets:				
Buildings	30,115,542	428,015	21,240	30,564,797
Machinery and equipment	11,297,747	1,328,538	(210,038)	12,416,247
Infrastructure	<u>48,047,765</u>	<u>5,304,355</u>	<u>348,568</u>	<u>53,700,688</u>
Total Depreciable Capital Assets	<u>89,461,054</u>	<u>7,060,908</u>	<u>159,770</u>	<u>96,681,732</u>
Total Historical Cost	<u>91,361,718</u>	<u>7,242,409</u>	<u>(217,868)</u>	<u>98,386,259</u>
Less Accumulated Depreciation:				
Buildings	(5,036,126)	(672,551)	1,205	(5,707,472)
Machinery and equipment	(6,673,408)	(1,056,863)	224,996	(7,505,275)
Infrastructure	<u>(21,833,860)</u>	<u>(2,158,088)</u>	<u></u>	<u>(23,991,948)</u>
Total Accumulated Depreciation	<u>(33,543,394)</u>	<u>(3,887,502)</u>	<u>226,201</u>	<u>(37,204,695)</u>
Governmental Activities Capital Assets, Net	<u>\$ 57,818,324</u>	<u>\$ 3,354,907</u>	<u>\$ 8,333</u>	<u>\$ 61,181,564</u>

Depreciation expense was charged to functions as follows:

<u>Governmental Activities:</u>	
General government support	\$ 583,726
Public safety	452,807
Public health	83,906
Transportation	2,698,044
Economic assistance and opportunity	61,356
Home and community services	<u>7,663</u>
Total Governmental Activities Depreciation Expense	<u>\$ 3,887,502</u>

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

Capital asset activity for the Industrial Development Agency for the year ended December 31, 2011, was as follows:

	Balance at 12/31/10	Additions	Deletions	Balance at 12/31/11
Land and land improvements	\$ 692,479	\$	\$	\$ 695,216
Railroad tracking and facilities	1,976,669			1,976,669
Machinery and equipment	2,283			2,283
Total Historical Cost	<u>2,671,431</u>			<u>2,674,168</u>
Less Accumulated Depreciation	<u>(983,564)</u>	<u>(35,176)</u>		<u>(1,018,740)</u>
Capital Assets, Net	<u>\$ 1,690,604</u>	<u>\$ (35,176)</u>	<u>\$ -0-</u>	<u>\$ 1,655,428</u>

Capital asset activity for the Soil and Water Conservation District for the year ended December 31, 2011, was as follows:

	Balance at 12/31/10	Additions	Deletions	Balance at 12/31/11
Office equipment	\$ 24,120	\$	\$	\$ 24,120
Program buildings and equipment	971,812	52,036	(17,968)	1,005,880
Total Historical Cost	<u>995,932</u>	<u>52,036</u>		<u>1,030,000</u>
Less Accumulated Depreciation	<u>(417,065)</u>	<u>(95,673)</u>	<u>17,071</u>	<u>(495,667)</u>
Capital Assets, Net	<u>\$ 578,867</u>	<u>\$ (43,637)</u>	<u>\$ (897)</u>	<u>\$ 534,333</u>

B. Liabilities

1. Pension Plans

a. General Information

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

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

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

b. Funding Policy

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 and have fewer than ten years of credited service. These members contribute 3% of their salary. Prior to October 2000, all County employees who joined after July 27, 1976 were required to contribute 3%, but the laws were modified to forgive the 3% contribution for those with ten or more years of service time. Those joining NYSERS on or after January 1, 2010 are required to contribute 3% of their annual salary for their entire working career. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members which shall be used in computing the contributions required to be made by the employer to the Pension Accumulation Fund.

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

<u>Year</u>	<u>ERS</u>
2011	\$ 2,711,827
2010	1,997,539
2009	1,175,410

The County's contributions made to the System were equal to 100% of the contributions required for each of the years. The System's pension relief legislation (New York State Chapter 620, Laws of 2004) was enacted to provide employers with relief in payment of their annual ERS cost. This legislation provides several options to employers, including delaying their payments from December 15 to February 6 of the ensuing year, payment of a portion of their cost over an amortized period, and the means to issue serial bonds to provide funding for the employer's liability. In addition, the employer was given the option of making full payment on December 15 at a discounted amount. The County exercised its option of making payment on December 15, 2011, equal to 100% of the contributions required for the year.

The New York State Legislature has authorized local governments to make available retirement incentive programs. The County participates in early retirement programs when they are offered and has elected to pay the related cost over a five year amortization period, which includes interest at rates ranging from 8% to 8.5%. There is no remaining liability for these incentive programs at December 31, 2011.

2. Postemployment Benefits Other Than Pensions

In addition to the pension benefits described above, the County provides postretirement health care benefits to all employees who retire from the County in accordance with Article 2, Section 75-g, Article 14, and Article 15 of the New York State Retirement and Social Security Law. During 2011, 182 retirees participated in this program. When a retiree hired on or before 1991 elects such coverage, the individual payment is \$5.00 per month and the family payment is \$7.50 per month. For retirees hired after 1991, the cost is 50% of the monthly premium. Additionally, when an employee retires with accumulated sick leave, the dollar equivalent of the retiree's accumulated sick leave is credited to the retiree and used to fund their share of the premium cost of the health insurance program available to the retiree group. Certain premium savings are realized for employees eligible for Medicare coverage (i.e., over age 65). The entire amount of any savings realized is deducted from the employees' contribution. During 2011, the expected cost of this program was \$2,290,130.

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

In 2008, the County adopted Government Accounting Standards Board (GASB) Statement Number 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." In the past, the County reported the cost of its retiree health care postretirement benefits on a "pay-as-you-go" basis. An actuarial valuation of the County Postretirement Health Care Plans (Plan) was performed as of January 1, 2011 for the year ending December 31, 2011, and January 1, 2009 for the fiscal years ending December 31, 2010 and 2009.

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

The contribution requirements of Plan members and the County are established and may be amended by the County Legislature. The County Legislature has negotiated several collective bargaining agreements, which include obligations of Plan members and the County. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended December 31, 2011, the actuarial valuation used an expected County contribution to the Plan of \$2,290,130. Plan members receiving benefits may be required to contribute to the Plan depending on their hire date and collective bargaining unit.

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

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

Normal cost	\$	11,394,437
Interest on net OPEB obligation		661,972
Adjustment to annual required contribution		<u>(920,239)</u>
Annual OPEB Cost (Expense)		11,136,170
Contributions made (expected)		<u>(2,290,130)</u>
Increase in Net OPEB Obligation		8,846,040
 Net OPEB Obligation - January 1, 2011		 <u>16,549,310</u>
 Net OPEB Obligation - December 31, 2011		 <u>\$ 25,395,350</u>

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2011 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>
12/31/11	\$ <u>11,136,170</u>	20.6%	\$ <u>25,395,350</u>
12/31/10	\$ <u>7,934,359</u>	29.0%	\$ <u>16,549,310</u>
12/31/09	\$ <u>7,565,369</u>	25.6%	\$ <u>10,915,143</u>

As of December 31, 2011, the Plan was not funded. The actuarial accrued liability for benefits was \$109,663,719; there are no assets legally segregated for the Plan. The covered payroll (annual payroll of active employees covered by the Plan) was \$16,982,572 and the ratio of the Unfunded Actuarial Accrued Liability (UAAL) to the covered payroll was 646%. 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, 2011, Actuarial Valuation Report, the projected unit credit actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 8.75% initially, reduced by decrements to an ultimate rate of 4.2% after 68 years. The rate included a 4% inflation assumption.

3. Long-term Debt

At December 31, 2011, the total outstanding indebtedness of the County aggregated to \$26,749,916. Of this amount, \$11,185,000 is subject to the statutory debt limit, and represents approximately 6.6% of the County's debt limit.

a. Serial Bonds

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

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011:

Serial Bonds:	<u>Interest</u>	<u>Maturity</u>	<u>Amount</u>
Issued by TTASC:			
Series 2005	4.25-5.00%	12/31/2040	\$ 14,302,915
Add accreted interest on capital appreciation bonds			<u>1,262,001</u>
Carrying value of TTASC bonds			15,564,916
Issued by the County:			
Refunding issues - 2001	3.00-5.00%	03/15/2014	2,185,000
Public Improvement - 2010	3.360-9.069%	03/27/2030	<u>9,000,000</u>
 Total Serial Bonds			 <u>\$ 26,749,916</u>

The TTASC Series 2005 bonds are comprised of tax exempt turbo bonds in the amount of \$11,970,000 and \$2,332,915 of tax exempt turbo capital appreciation bonds. Accreted interest in the amount of \$1,262,001 has been accrued on the capital appreciation bonds, for a total carrying value of \$3,594,916 as of December 31, 2011.

4. Other Long-term Debt

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

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

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

5. Indebtedness and Certain Long-term Obligations

The following is a summary of changes in long-term obligations for the period ended December 31, 2011:

	<u>Balance at</u> <u>12/31/10</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>12/31/11</u>	<u>Amount</u> <u>Due within</u> <u>One Year</u>
Long-term Liabilities:					
Governmental Activities:					
Bonds Payable	\$ 26,292,915	\$	\$ (805,000)	\$ 25,487,915	\$ 1,425,000
Accreted Interest	<u>1,015,128</u>	<u>246,873</u>	<u></u>	<u>1,262,001</u>	<u></u>
Carrying value of bonds	27,308,043	246,873	(805,000)	26,749,916	1,425,000
Other Long-term Liabilities:					
Compensated absences	833,921	102,032		935,953	935,953
Other postemployment benefits	16,549,310	8,846,040		25,395,350	
Self insurance liabilities	<u>4,450,000</u>	<u>350,000</u>	<u></u>	<u>4,800,000</u>	<u></u>
Total Long-term Liabilities	<u>\$ 49,141,274</u>	<u>\$ 9,544,945</u>	<u>\$ (805,000)</u>	<u>\$ 57,881,219</u>	<u>\$ 2,360,953</u>

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

The annual requirements to amortize the debt on outstanding bonds as of December 31, 2011 are as follows:

<u>Year</u>	<u>County</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u> <u>Subsidy</u>	<u>Total</u>
2012	\$ 1,050,000	\$ 635,012	\$ (168,683)	\$ 1,516,329
2013	1,055,000	590,206	(168,683)	1,476,523
2014	1,055,000	544,824	(168,683)	1,431,141
2015	355,000	512,274	(168,683)	698,591
2016	375,000	494,024	(168,683)	700,341
2017-2021	2,055,000	2,149,301	(781,923)	3,422,378
2022-2026	2,520,000	1,417,388	(530,742)	3,406,646
2027-2030	<u>2,720,000</u>	<u>390,665</u>	<u>(159,141)</u>	<u>2,951,524</u>
Totals	<u>\$ 11,185,000</u>	<u>\$ 6,733,694</u>	<u>\$ (2,315,221)</u>	<u>\$ 15,603,473</u>

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

Year	TTASC		
	Principal	Interest	Total
2012	\$ 375,000	\$ 544,806	\$ 919,806
2013	400,000	527,363	927,363
2014	430,000	507,675	937,675
2015	460,000	486,537	946,537
2016	495,000	463,306	958,306
2017-2021	3,560,000	1,845,250	5,405,250
2022-2026	5,025,000	763,375	5,788,375
2027-2031	2,517,146	6,036,865	8,554,011
2032-2036	700,864	5,565,874	6,266,738
2037-2040	339,905	3,845,289	4,185,194
Totals	\$ <u>14,302,915</u>	\$ <u>20,586,340</u>	\$ <u>34,889,255</u>

Interest expense on bonds for the year ending December 31, 2011 is as follows:

	County	TTASC	Total
Interest paid	\$ 596,163	\$ 587,625	\$ 1,183,788
Accrued interest		246,873	246,873
Amortization of bond issue costs		49,129	49,129
Less: Prior year accrued interest	(169,385)		(169,385)
Plus: Current year accrued interest	179,427		179,427
Interest Expense	\$ <u>606,205</u>	\$ <u>883,627</u>	\$ <u>1,489,832</u>

6. Letter of Credit

The County has an irrevocable standby Letter of Credit with Tioga State Bank for \$984,200. The County uses the letter of credit as part of its guarantee to Blue Cross-Blue Shield under the Tioga County Consolidated Municipal Health Insurance Program. Interest on advances is variable, not less than 4% or greater than 10% (except for any default rate). There have been no advances under the letter of credit as of December 31, 2011 and the County will not be required to maintain a standby letter of credit in 2012.

7. Discretely Presented Component Unit - Industrial Development Agency

The Industrial Development Agency has bonds outstanding, which were issued on September 12, 2002, as taxable variable rate demand industrial development bonds. Face value of the bonds was \$7,005,000. The bonds were sold at a discount of \$101,573. The average life of the bonds is 5.85 years, with a maturity date of September 2012. The interest rate on the bonds is blended, and calculated daily. As of December 31, 2011, the rate was 0.11%.

Description of Issue	Final Maturity	Interest Rate	Balance 1/1/2011	Additions	Reductions	Outstanding 12/31/2011
Industrial Development Bonds	2012	Variable	\$ <u>1,695,000</u>	\$ <u>-0-</u>	\$ <u>825,000</u>	\$ <u>870,000</u>

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

At December 31, 2011, the face value of the bonds was \$870,000 with a remaining discount of \$6,775. The principal of the bonds is scheduled to be repaid as follows:

Year	Amount
2012	\$ <u>870,000</u>

In addition to issuing bond obligations for the benefit of commercial enterprises, the IDA has various outstanding loans payable to the County, UDC and USDA. Interest rates range from 1% to 3% with maturities between 2011 and 2039. Repayment of these loans is estimated as follows:

Year	Amount
2012	\$ 53,674
2013	55,771
2014	56,720
2015	57,690
2016	58,682
Thereafter	<u>779,245</u>
Total	\$ <u>1,061,782</u>

C. Interfund Receivables/Payables and Transfers

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

The Governmental Funds financial statements generally reflect such transactions as transfers whereas the Proprietary Funds record such transactions as non-operating revenues or expenses. Interfund receivables/payables and transfers at December 31, 2011 were as follows:

	Interfund Receivables	Interfund Payables	Interfund Revenue	Interfund Expense
General Fund	\$ 369,452	\$ 3,436,484	\$	\$ 5,652,153
Capital Projects Funds	2,577,145		3,004,300	
Non-Major Funds	<u>770,947</u>	<u>273,723</u>	<u>2,647,853</u>	
Total Governmental Funds	3,717,544	3,710,207	5,652,153	5,652,153
 Internal Service Funds	 <u>88,769</u>	 <u>96,106</u>	 <u></u>	 <u></u>
Total	\$ <u>3,806,313</u>	\$ <u>3,806,313</u>	\$ <u>5,652,153</u>	\$ <u>5,652,153</u>

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

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

Note 3 - Risk Management

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

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

The Self Insurance Fund provides self insurance coverage for all workers' compensation claims for employees of each participating municipality. The County and certain municipalities within the County participate in the program and make payments to the self insurance fund based upon three factors: the total property tax assessed value, the total payroll, and the prior years' claims for each participant. The County is completely self insured with regard to workers' compensation claims and is the administrator for this fund. The net deficit of this fund was \$(4,014,409) at December 31, 2011 as the County has not fully funded incurred but not reported claims.

The consolidated Health Insurance Fund provides self insurance coverage up to an annual ceiling for health and dental claims for employees of each participating municipality. The County and certain municipalities within the County participate in the program and make payments to the consolidated health insurance fund. Payments from participants are determined based upon the number of contracts each participating municipality utilized in the preceding year. The County purchases commercial insurance for claims in excess of self insurance coverage provided by the fund. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. The County utilizes a third party administrator who is responsible for processing claims and estimating liabilities under this coverage. The net assets of this fund were \$4,306,685 at December 31, 2011.

The estimated accrued claims of \$5,900,000 reported in the Internal Service Funds at December 31, 2011 are based upon the requirements of GASB Statement Number 10, "Accounting and Financial Reporting for Risk Financing and Related Issues," which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the basic financial statements and the amount of the loss can be reasonably estimated. All liabilities are recorded at their estimated fair values as of December 31, 2011 including discounted long-life workers' compensation awards within the Workers' Compensation Fund. Changes in the funds' liabilities for the year ended December 31, 2011 were:

	Liability Beginning of Year	Claims and Changes in Estimates	Claim Payments	Liability End of Year
Workers' compensation	\$ 5,100,000	\$ 2,140,707	\$ 1,540,707	\$ 5,700,000
Property and health claims	<u>349,454</u>	<u>8,337,447</u>	<u>8,486,901</u>	<u>200,000</u>
Total All Funds	<u>\$ 5,449,454</u>	<u>\$ 10,478,154</u>	<u>\$ 10,027,608</u>	<u>\$ 5,900,000</u>

COUNTY OF TIOGA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

Note 4 - Transactions with Discretely Presented Component Units

Tioga County Soil and Water Conservation District

The County provides support to the District through annual appropriations. In 2011, the County provided \$189,235 to the District. In addition, the District office is on land owned by the County. A lease agreement has been put into place outlining the term and how the land may be used. The District is obligated to pay any and all expenses relative to the property as rent. Tioga County has the right to request a security deposit, but has not made that request. Time period of the lease is ten years, with the option to renew for four additional ten year periods.

Note 5 - Summary of Significant Commitments and Contingencies

State and Federally Assisted Programs

The City 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 City makes every effort to comply with all applicable requirements. However, because these grants are audited from time to time, it is possible that the City will be required, upon audit, to repay portions of the grant monies received and recorded as revenue in a prior year. City 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, 2011

	Original Budget	Final Budget	Actual	Encumbrances	Variance Favorable- (Unfavorable)
<u>REVENUES</u>					
Real property taxes	\$ 20,260,838	\$ 20,260,838	\$ 20,162,513	\$	\$ (98,325)
Real property tax items	1,884,844	1,884,844	2,406,752		521,908
Nonproperty tax items	15,675,100	15,675,100	18,573,837		2,898,737
Departmental income	8,733,690	8,762,251	6,583,679		(2,178,572)
Intergovernmental charges	489,770	489,770	479,682		(10,088)
Use of money and property	107,941	107,941	223,481		115,540
Licenses and permits	2,000	2,000	23,794		21,794
Fines and forfeitures	140,000	140,000	116,642		(23,358)
Sale of property and compensation for loss	43,000	43,000	48,283		5,283
Miscellaneous local sources	253,219	253,219	494,113		240,894
Interfund revenues	17,475	17,475	13,426		(4,049)
State sources	9,910,904	10,213,864	9,194,566		(1,019,298)
Federal sources	6,357,334	6,453,597	6,801,319		347,722
Total Revenues	<u>63,876,115</u>	<u>64,303,899</u>	<u>65,122,087</u>	-0-	<u>818,188</u>
<u>EXPENDITURES</u>					
Current:					
General governmental support	10,259,874	10,425,244	10,062,138	125,588	237,518
Education	4,855,000	4,405,340	4,405,340	48,648	(48,648)
Public safety	7,403,721	7,545,419	6,740,298	48,422	756,699
Health	8,041,030	8,114,674	7,094,388	159,391	860,895
Transportation	930,000	930,000	869,717		60,283
Economic assistance and opportunity	20,283,631	20,334,936	20,270,319	50,739	13,878
Culture and recreation	364,361	366,927	223,387		143,540
Home and community services	637,519	617,618	608,096		9,522
Employee benefits	11,879,503	11,879,502	11,125,587		753,915
Debt service (principal and interest)	1,510,100	1,510,100	1,341,163		168,937
Total Expenditures	<u>66,164,739</u>	<u>66,129,760</u>	<u>62,740,433</u>	432,788	2,956,539
Excess of (Expenditures) Revenues	<u>(2,288,624)</u>	<u>(1,825,861)</u>	2,381,654	(432,788)	3,774,727
<u>OTHER FINANCING (USES)</u>					
Interfund transfers in					-0-
Interfund transfers (out)	(2,611,376)	(5,652,153)	(5,652,153)		-0-
Total Other Financing (Uses)	<u>(2,611,376)</u>	<u>(5,652,153)</u>	<u>(5,652,153)</u>	-0-	-0-
Excess of (Expenditures) and Other Financing (Uses)	<u>(4,900,000)</u>	<u>(7,478,014)</u>	<u>(3,270,499)</u>	<u>(432,788)</u>	<u>3,774,727</u>
Appropriated Fund Balance	<u>4,900,000</u>	<u>7,478,014</u>			
Net Decrease	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>(3,270,499)</u>		
Fund Balance, Beginning			<u>16,040,072</u>		
Fund Balance, Ending			<u>\$ 12,769,573</u>		

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

COUNTY OF TIOGA
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED DECEMBER 31, 2011

<u>Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
2011	1/1/2011	\$ -0-	\$ <u>109,663,719</u>	\$ <u>109,663,719</u>	0%	\$ <u>16,982,572</u>	646%
2010	1/1/2009	\$ -0-	\$ <u>83,868,078</u>	\$ <u>83,868,078</u>	0%	\$ <u>17,340,899</u>	484%
2009	1/1/2009	\$ -0-	\$ <u>79,576,846</u>	\$ <u>79,576,846</u>	0%	\$ <u>17,393,164</u>	458%
2008	1/1/2008	\$ -0-	\$ <u>76,792,324</u>	\$ <u>76,792,324</u>	0%	\$ <u>16,949,966</u>	453%

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, 2011

Note 1 - Budget Policies

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

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

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

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

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

Note 2 - Reconciliation of the Budget Basis to GAAP

No adjustment is necessary to convert the General Fund excess of revenues and other sources over expenditures and other uses on the GAAP basis to the budget basis. Encumbrances are presented in a separate column and are not included in the actual results at December 31, 2011.

Note 3 - Schedule of Funding Progress

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

COUNTY OF TIOGA
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	Special Revenue Funds			
<u>ASSETS</u>	Special Grant Fund	Refuse and Garbage Fund	County Road Fund	Road Machinery Fund
Assets:				
Cash and cash equivalents - Unrestricted	\$ 604,207	\$ 652,561	\$ 29,105	\$ 144,460
- Restricted				
Due from other funds			583,566	187,381
Due from state and federal governments	16,562			
Other receivables, net	12,945			
Prepaid expenses				
Loans receivable	161,602			
Total Assets	\$ 795,316	\$ 652,561	\$ 612,671	\$ 331,841
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 1,489	\$ 53,711	\$ 140,547	\$ 32,132
Accrued liabilities	4,625	4,844	33,612	7,589
Due to other funds	169,138	104,585		
Deferred revenues				
Total Liabilities	175,252	163,140	174,159	39,721
Fund Balances:				
Restricted		38,364		
Assigned	620,064	451,057	438,512	292,120
Total Fund Balances	620,064	489,421	438,512	292,120
Total Liabilities and Fund Balances	\$ 795,316	\$ 652,561	\$ 612,671	\$ 331,841

See Independent Auditor's Report

Debt Service Fund (TTASC)	Total Non-Major Governmental Funds
\$ 47,211	\$ 1,477,544
<u>776,013</u>	<u>776,013</u>
<u> </u>	<u>770,947</u>
<u> </u>	<u>16,562</u>
<u>701,788</u>	<u>714,733</u>
<u>2,154</u>	<u>2,154</u>
<u> </u>	<u>161,602</u>
<u>\$ 1,527,166</u>	<u>\$ 3,919,555</u>

\$ <u> </u>	\$ 227,879
<u> </u>	<u>50,670</u>
<u> </u>	<u>273,723</u>
<u>701,788</u>	<u>701,788</u>
<u>701,788</u>	<u>1,254,060</u>

<u> </u>	<u>38,364</u>
<u>825,378</u>	<u>2,627,131</u>
<u>825,378</u>	<u>2,665,495</u>
<u>\$ 1,527,166</u>	<u>\$ 3,919,555</u>

COUNTY OF TIOGA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Special Revenue Funds			
	Special Grant Fund	Refuse and Garbage Fund	County Road Fund	Road Machinery Fund
<u>REVENUES</u>				
Real property taxes	\$	\$ 889,429	\$	\$
Departmental income		411,232		
Use of money and property	5,408	859	1,619	711
Tobacco settlement				
State sources	8,304			
Federal sources	284,715			
Total Revenues	<u>298,427</u>	<u>1,301,520</u>	<u>1,619</u>	<u>711</u>
<u>EXPENDITURES</u>				
Current:				
General governmental support				
Transportation			1,297,764	515,532
Economic assistance and opportunity	210,019			
Home and community services	8,618	1,101,654		
Employee benefits	70,281	85,709	686,332	122,140
Debt service (principal and interest)				
Total Expenditures	<u>288,918</u>	<u>1,187,363</u>	<u>1,984,096</u>	<u>637,672</u>
Excess of Revenues (Expenditures)	<u>9,509</u>	<u>114,157</u>	<u>(1,982,477)</u>	<u>(636,961)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Interfund transfers in			1,985,353	662,500
Total Other Financing Sources (Uses)	<u>-0-</u>	<u>-0-</u>	<u>1,985,353</u>	<u>662,500</u>
Excess of Revenues (Expenditures) and Other Financing Sources (Uses)	<u>9,509</u>	<u>114,157</u>	<u>2,876</u>	<u>25,539</u>
Fund Balances, Beginning	<u>610,555</u>	<u>375,264</u>	<u>435,636</u>	<u>266,581</u>
Fund Balances, Ending	<u>\$ 620,064</u>	<u>\$ 489,421</u>	<u>\$ 438,512</u>	<u>\$ 292,120</u>

See Independent Auditor's Report

Debt Service Fund (TTASC)	Total Non-Major Governmental Funds
\$ _____	\$ 889,429
_____	411,232
124	8,721
693,381	693,381
_____	8,304
_____	284,715
693,505	2,295,782
60,230	60,230
_____	1,813,296
_____	210,019
_____	1,110,272
_____	964,462
647,625	647,625
707,855	4,805,904
(14,350)	(2,510,122)
_____	2,647,853
-0-	2,647,853
(14,350)	137,731
_____	2,527,764
839,728	2,527,764
\$ <u>825,378</u>	\$ <u>2,665,495</u>

John H. Dietershagen, C.P.A.
Jerry E. Mickelson, C.P.A.
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D. Leslie Spurgin, C.P.A.



Ciaschi • Dietershagen • Little • Mickelson & Company, LLP

Certified Public Accountants and Consultants

Frederick J. Ciaschi, C.P.A.

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Tioga as of and for the year ended December 31, 2011. These financial statements, together with the aggregate discretely presented component units, collectively comprise the County's basic financial statements. We have issued our report thereon dated September 7, 2012. We did not audit the financial statements of the Tioga Tobacco Asset Securitization Corporation, the Tioga County Soil and Water Conservation District or the Tioga County Industrial Development Agency. The Tioga Tobacco Asset Securitization Corporation represents 1.4% and 0.9% respectively, of the assets and revenues of the Governmental Activities. The Tioga County Soil and Water Conservation District and the County of Tioga Industrial Development Agency represent 17.3% and 82.7%, and 64.2% and 35.8%, respectively, of the assets and revenues of the component units. The financial statements of the Tioga Tobacco Asset Securitization Corporation, Tioga County Soil and Water Conservation District and the Tioga County Industrial Development Agency were audited by other auditors whose reports, issued in accordance with auditing standards generally accepted in the United States of America, have been furnished to us. Our opinions, insofar as they relate to the amounts included in the Tioga Tobacco Asset Securitization Corporation, Tioga County Soil and Water Conservation District and the Tioga County Industrial Development Agency, are based on the reports of the other auditors. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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CORTLAND

39 Church Street
Cortland, New York 13045
607-753-7439
fax 607-753-7874

ITHACA

401 East State Street ~ Suite 500
Ithaca, New York 14850
607-272-4444
fax 607-273-8372
www.cdlim.com

WATKINS GLEN

108 West Fourth Street
Watkins Glen, New York 14891
607-535-4443
fax 607-535-6220

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did identify one deficiency in internal control over financial reporting that we consider to be significant deficiency, as defined above, which is described in the accompanying Schedule of Findings and Questioned Costs as Reference No. 06-02.

Compliance and Other Matters

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

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

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

September 7, 2012
Ithaca, New York

John H. Dietershagen, C.P.A.
Jerry E. Mickelson, C.P.A.
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**Ciaschi • Dietershagen • Little • Mickelson
& Company, LLP**

Certified Public Accountants and Consultants

Frederick J. Ciaschi, C.P.A.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the County of Tioga (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2011. The County's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Tioga's management. Our responsibility is to express an opinion on County's compliance based on our audit.

The County's basic financial statements include the operations of the Tioga Tobacco Asset Securitization Corporation, the Tioga County Industrial Development Agency, and the Tioga Soil and Water Conservation District whose federal awards are not included in the Schedule of Expenditures of Federal Awards for the year ended December 31, 2011. Our audit, described below, did not include the federal awards of the above entities as these entities conducted separate audits in accordance with the OMB Circular A-133, if required.

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

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CORTLAND

39 Church Street
Cortland, New York 13045
607-753-7439
fax 607-753-7874

ITHACA

401 East State Street ~ Suite 500
Ithaca, New York 14850
607-272-4444
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www.cdlim.com

WATKINS GLEN

108 West Fourth Street
Watkins Glen, New York 14891
607-535-4443
fax 607-535-6220

In our opinion, the County of Tioga complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

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

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

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

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

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

September 7, 2012
Ithaca, New York

COUNTY OF TIOGA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal Catalog #	Pass-Through Grantor #	Expenditures
<u>U.S. Department of Agriculture</u>			
Passed Through NYS Department of Family Assistance:			
Food Stamp Cluster:			
Nutrition Assistance Program	10.561	(1)	\$ <u>773,883</u>
			773,883
Passed Through NYS Department of Labor:			
Child Nutrition Program:			
School Breakfast Program	10.553	(1)	3,169
National School Lunch Program	10.555	(1)	<u>4,793</u>
			7,962
Total U.S. Department of Agriculture			781,845
<u>U.S. Department of Labor</u>			
Passed Through State Department of Labor:			
Workforce Investment Act Cluster:			
Workforce Investment Act - Adult Program	17.258	(1)	88,771
Workforce Investment Act - Youth Activities	17.259	(1)	95,504
Workforce Investment Act - Dislocated Workers	17.260	(1)	<u>101,136</u>
Total U.S. Department of Labor			285,411
<u>U.S. Department of Transportation</u>			
Passed Through State Department of Transportation:			
Highway Planning and Construction	20.205	D030403	1,252,671
Federal Transit Formula Grants	20.507	(1)	139,264
Formula Grants for Other than Urbanized Areas	20.509	(1)	61,400
ARRA Formula Grants for Other than Urbanized Areas	20.509	(1)	593,488
Passed Through NYS Governor's Traffic Safety Committee:			
State and Community Highway Safety	20.600	PT5400122	24,786
Safety Incentive Grants for the Use of Seatbelts	20.604	(1)	4,374
Child Safety and Child Booster Seats Incentive Grants	20.613	(1)	<u>2,997</u>
Total U.S. Department of Transportation			2,078,980
<u>U.S. Department of Education</u>			
Passed Through NYS Department of Health:			
Early Intervention Administration	84.181(A)	(1)	29,734
Passed Through NYS Department of Education:			
ARRA Early Intervention Administration	84.393	(1)	<u>15,830</u>
Total U.S. Department of Education			<u>45,564</u>
Subtotal Expenditures of Federal Awards			3,191,800

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

COUNTY OF TIOGA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Catalog #</u>	<u>Pass-Through Grantor #</u>	<u>Expenditures</u>
Subtotal Expenditures of Federal Awards Carried Forward			\$ 3,191,800
<u>U.S. Department of Health and Human Services</u>			
Passed Through NYS Department of Family Assistance:			
Temporary Assistance for Needy Families (TANF)	93.558	(1)	2,445,490
Centers for Disease Ctrl-West Nile Virus/Investigations & Tech Assis.	93.283	(1)	56,243
Child Support Enforcement	93.563	(1)	425,706
ARRA Child Support Enforcement	93.563	(1)	14,920
Low-Income Home Energy Assistance	93.568	(1)	3,194,240
Child Care and Development Block Grant	93.575	(1)	1,468,051
Foster Care-Title IV-E	93.658	(1)	634,867
ARRA Foster Care-Title IV-E	93.658	(1)	23,836
Adoption Assistance	93.659	(1)	193,183
ARRA Adoption Assistance	93.659	(1)	8,969
Social Services Block Grant	93.667	(1)	324,639
Chafee Foster Care Independence Program	93.674	(1)	11,154
ARRA Immunization Program	93.712	(1)	21,353
Medical Assistance Program	93.778	(1)	891,777
Passed Through NYS Office of Mental Health:			
Medical Assistance Program	93.778	(1)	255,000
Passed Through NYS Division of Alcohol and Substance Abuse:			
Block Grant for the Prevention and Treatment of Substance Abuse	93.959	(1)	125,484
Passed Through the NYS Office of Mental Health:			
Maternal and Child Health Services Block Grant to the States	93.994	(1)	<u>39,808</u>
Total U.S. Department of Health and Human Services			10,134,720
<u>U.S. Department of Homeland Security</u>			
Passed Through NYS Department of Emergency Management:			
State and Local Homeland Security Exercise Support	97.006	(1)	14,908
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(1)	1,785,597
Homeland Security Grant Program	97.067	(1)	<u>35,815</u>
Total U.S. Department of Homeland Security			<u>1,836,320</u>
Total Expenditures of Federal Awards			<u>\$ 15,162,840</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, 2011

Note 1 - Basis of Presentation

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

Note 2 - Basis of Accounting

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

Note 3 - Indirect Costs

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

Note 4 - Matching Costs

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

Note 5 - Department of Social Services - Administrative Costs

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

Note 6 - Pass-Through Programs

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

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

COUNTY OF TIOGA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2011

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

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes no

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes no

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

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

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

Identification of major programs:

CFDA Numbers:	Name of Federal Program or Cluster:
97.036	Federal Emergency Assistance Grant
20.509	Formula Grants for Other than Urbanized Areas Cluster
93.558	Temporary Assistance for Needy Families (TANF)
93.568	Low-Income Home Energy Assistance
93.658	Foster Care Cluster
93.659	Adoption Assistance Cluster

Dollar threshold used to distinguish between type A and type B programs \$454,885

Auditee qualified as low-risk auditee: yes no

COUNTY OF TIOGA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
DECEMBER 31, 2011

Section II - Financial Statement Findings

Reference No. 06-02

Condition:

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

Criteria:

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

Cause/Effect:

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

Recommendation:

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

Current Status:

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

Corrective Action Plan:

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

Section III - Federal Award Findings and Questioned Costs:

None