COUNTY OF TIOGA

Owego, New York

FINANCIAL REPORT

December 31, 2016

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Certified Public Accountants | Business Advisors

COUNTY OF TIOGA

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Tioga (the County), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Tioga County Soil and Water Conservation District or the Tioga County Industrial Development Agency. The Tioga County Soil and Water Conservation District and the Tioga County Industrial Development Agency represent 100% of the assets, net position and revenues of the discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Tioga County Soil and Water Conservation District and the Tioga County Industrial Development Agency, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Tioga, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During the year ended December 31, 2016, the County adopted Government Accounting Standards Board (GASB) Statement No. 77, "Tax Abatement Disclosures." Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, Schedule of Funding Progress, Schedule of County's Contributions - NYSLRS Pension Plan, Schedule of the County's Proportionate Share of the Net Pension Liability - NYSLRS Pension Plan and related notes, on pages 4-4m and 54-60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The combining and individual non-major fund financial statements and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2018, on our consideration of Tioga County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tioga County's internal control over financial reporting and compliance.

Respectfully Submitted,

Insero & Co. CPAs, LLP

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
February 19, 2018

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, 2016. Please read this information in conjunction with the County's financial statements, which begin on page 5.

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $12,064,707 (net position) compared to $17,508,061 in 2015. Year-end net position was composed of $2,115,453 in restricted net position, $38,719,138 in net investment in capital assets, and $(28,769,884) in unrestricted net (deficit). Restricted net position decreased $916,028 primarily due to expenditures from capital reserves. Net investment in capital assets increased $1,012,461 compared to the prior year due to capital outlay and principal payments in excess of current year depreciation expense. Unrestricted net (deficit) increased $5,539,787 compared to the prior year which is primarily attributable to current year recognition of other postemployment benefits expense of $5,999,078.

- Unrestricted net deficit is primarily the result of the requirement to record the other postemployment benefits liability of $57,826,138.

- Expenses and other financing uses, exceeded revenues and other financing sources by $(5,443,354) in 2016 compared to revenues and other financing sources, exceeding expenses and other financing uses by $341,134 in 2015.

- The County records its proportionate share of the net pension liability along with deferred inflows and outflows of resources related to pensions in accordance with the parameters of GASB Statement No. 68. "Accounting and Financial Reporting for Pensions." Current year recognition resulted in an increase of government wide expenses of $1,433,970, compared to a decrease of $(458,462) in 2015.

- The General Fund recorded an increase in fund balance of $3,073,078 in 2016 and had a fund balance at the end of the year of $24,621,813, compared to $21,548,735 in 2016. Of this amount, $21,616,972 was unassigned.

- Resources available for appropriation in the General Fund, including interfund transfers in, were $(194,909) less than budgeted. Actual expenditures, including encumbrances and interfund transfers out, were $5,103,940 less than budgeted, resulting in a favorable budget variance of $4,909,031.

- The County's total indebtedness decreased $(1,815,817) to $31,206,720. Serial bond obligations decreased $(2,170,000) due to principal payments, while accreted interest on TTASC bonds increased $354,183.

- Capital additions during 2016 amounted to $5,082,974 for the purchase of various machinery and equipment, infrastructure and building improvements, and construction in progress expenditures. Depreciation expense was $3,304,569 for the year.

USING THIS ANNUAL REPORT

This annual report consists of a series of basic financial statements. The Statement of Net Position and the Statement of Activities (on pages 5-6a) provide information about the County as a whole and present a longer-term view of the County's finances. Governmental Fund financial statements start on page 7. For Governmental Activities, these statements tell how these services were financed in the short term, as well as what remains for future spending. Governmental Fund financial statements also report the County's operations in more detail than the Government-wide financial statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside the government. Following these statements are notes that provide additional information that is essential to a full understanding of the data provided in the financial statements. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the County's General Fund budget for the year, a Schedule of Funding Progress related to the County's other postemployment benefits, a Schedule of County's Contributions, and a Schedule of the County's Proportionate Share of Net Pension Liability.

In addition to the basic financial statements, the annual report contains other information in the form of combining statements for those funds that are not considered major funds and, therefore, are not presented individually in the basic financial statements.

Reporting the County as a Whole

Analysis of the County as a whole begins on page 5, with the Government-wide financial statements. The Statement of Net Position and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer the question of whether the County, as a whole, is better off or worse off as a result of the year's activities. These statements include *all* assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

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

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

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

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

Reporting the County's Most Significant Funds

Fund Financial Statements

Analysis of the County's Major Funds begins on page 7. The Governmental Fund financial statements provide detailed information about the most significant funds - not the County as a whole. Some funds are required to be established by State law. However, management establishes many other funds to help it control and manage money for particular purposes or to show it is meeting legal responsibilities for using certain taxes and grants. The County's three kinds of funds - Governmental, Proprietary, and Fiduciary - use different accounting approaches.

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

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

The County as Trustee: The County is the trustee, or fiduciary, for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net Position on page 14. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE COUNTY AS A WHOLE

The County's net position for fiscal year ended December 31, 2016 decreased $5,443,354, from $17,508,061 to $12,064,707. Last year net position increased by $341,134.

The largest portion of the County's net position, $38,719,138, reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, and infrastructure) less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided by other sources, as the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the County's net position, $2,115,453, represents resources subject to external restrictions on how they may be used and are reported as restricted. Restricted net position includes $3,360,762 in the General, Capital, and Refuse and Garbage Funds, as well as $775,882 in the Debt Service Fund, partially offset by unspent debt of $(2,021,191) which is reported as a portion of net investment in capital assets in the Statement of Net Position.

The remaining category of total net position, unrestricted net position, which shows a deficit of $(28,769,884), is what may be used to meet the government's ongoing obligations and services to creditors and citizens.

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

Figure 1 - Net Position

	Governmental Activities		Dollar Change	Percent Change
	2015	**2016**	**2015 - 2016**	**2015 - 2016**
Current assets	$ 51,158,431	$ 49,625,201	$ (1,533,230)	(3.00%)
Capital assets, net	66,159,276	67,904,667	1,745,391	2.64%
Other noncurrent assets	776,188	775,882	(306)	(0.04%)
Total Assets	**118,093,895**	**118,305,750**	**211,855**	**0.18%**
Pensions	2,426,675	12,069,651	9,642,976	397.37%
Total Deferred Outflows of Resources	**2,426,675**	**12,069,651**	**9,642,976**	**397.37%**
Current liabilities	11,968,884	12,076,862	107,978	0.90%
Noncurrent liabilities	90,427,253	103,776,252	13,348,999	14.76%
Total Liabilities	**102,396,137**	**115,853,114**	**13,456,977**	**13.14%**
Pensions	616,372	2,457,580	1,841,208	298.72%
Total Deferred Inflows of Resources	**616,372**	**2,457,580**	**1,841,208**	**298.72%**
Net investment in capital assets	37,706,677	38,719,138	1,012,461	2.69%
Restricted	3,031,481	2,115,453	(916,028)	(30.22%)
Unrestricted	(23,230,097)	(28,769,884)	(5,539,787)	23.85%
Total Net Position	**$ 17,508,061**	**$ 12,064,707**	**$ (5,443,354)**	**(31.09%)**

Current assets decreased primarily due to decreases in amounts due from state and federal governments, property taxes receivable, prepaid expenses, loans receivable, and other receivables; partially offset by increases in cash. Capital assets increased because capital outlay exceeded depreciation expense. The change in noncurrent assets is attributable to the change in Tioga Tobacco Asset Securitization Corporation (TTASC) restricted cash.

Deferred outflows and inflows of resources increases are based on actuarially determined changes related to the County's proportionate share of the New York State and Local Retirement System pension plan.

Current liabilities increased from the prior year due to increases in accounts payable, accrued payroll, other accrued liabilities, and unearned revenue, partially offset by a decrease in amounts due to other governments. The increase in noncurrent liabilities reflects the increase in other postemployment benefit liability of $5,999,078, along with the increase in the County's proportionate share of the plans net pension liability of $9,235,738, offset by a decrease in the noncurrent portion of bonds payable of $1,885,817 resulting from repayment of debt.

The change in net investment in capital assets is due to increased net book value of capital assets, combined with decreases in associated debt. Restricted net position decreased primarily as a result of decreases in capital reserves in the Capital Fund used for the new financial management system. Unrestricted net position decreased primarily as a result of current year expenses in excess of revenues, see Figure 2 for additional information.

The County's total revenues decreased by (3.62)%, while the total cost of all programs and services increased 4.17%. Our analysis in Figure 2 considers the operations of Governmental Activities.

Figure 2 - Changes in Net Position

	Governmental Activities		Dollar Change	Percent Change
	2015	2016	2015 - 2016	2015 - 2016
REVENUES				
Program Revenues:				
Charges for services	$ 6,271,565	$ 6,318,608	$ 47,043	0.75%
Operating grants and contributions	16,991,874	15,962,105	(1,029,769)	(6.06%)
Capital grants	4,247,447	1,496,862	(2,750,585)	(64.76%)
General Revenues:				
Property taxes and tax items	25,102,932	26,108,454	1,005,522	4.01%
Sales and other taxes	19,902,852	19,699,211	(203,641)	(1.02%)
Tobacco settlement	1,371,514	605,619	(765,895)	(55.84%)
State sources	-	1,084,549	1,084,549	100.00%
Use of money and property	113,217	115,897	2,680	2.37%
Other	502,559	417,271	(85,288)	(16.97%)
Total Revenues	**$ 74,503,960**	**$ 71,808,576**	**$ (2,695,384)**	**(3.62%)**
PROGRAM EXPENSES				
General government	$ 15,722,754	$ 16,226,434	$ 503,680	3.20%
Education	4,091,128	4,468,732	377,604	9.23%
Public safety	13,655,997	15,807,692	2,151,695	15.76%
Public health	6,995,589	7,603,118	607,529	8.68%
Transportation	6,599,674	5,295,084	(1,304,590)	(19.77%)
Economic assistance and opportunity	22,792,696	23,727,856	935,160	4.10%
Culture and recreation	353,089	362,583	9,494	2.69%
Home and community services	2,319,897	2,176,952	(142,945)	(6.16%)
Interest on long-term debt	1,632,002	1,583,479	(48,523)	(2.97%)
Total Expenses	**$ 74,162,826**	**$ 77,251,930**	**$ 3,089,104**	**4.17%**
CHANGE IN NET POSITION	**$ 341,134**	**$ (5,443,354)**	**$ (5,784,488)**	**(1,695.66%)**

Revenues

- Operating grants were lower based on decreased federal aid for both the Flexible Fund for Family Services and Social Services Administration programs in the current year.

- Capital grants decreased due to road and bridge program funding in 2015, which was not repeated in 2016.

- Property tax and tax items increased due to increases in the tax levy, along with increases in interest and penalties, payments in lieu of taxes, and recognition of additional revenue due to the decrease in deferred tax revenue.

- Tobacco settlement revenue decreased primarily due to the one time settlement of payment disputes on the part of tobacco companies paid in 2015.

- The increase in state sources is attributable to the new gaming revenue from Tioga Downs Casino operations.

- Other revenues decreased due to a one time refund payment received in 2015.

Expenses

- General government expenses increased primarily as a result of allocating the increase in employee benefits, along with changes in other postemployment benefits, and net pension activity to functions based on percentages of payroll in each function.

- The increase in education expense is attributable to increased tuition, services, and other transportation costs associated with the education of handicapped children.

- Public safety expenses increase primarily due to an arbitration settlement reached in 2016 along with increases in allocations of employee benefits, other postemployment benefits, and pension activity to this function.

- Public health expenses increased primarily due to increases in mental health contractual expenditures along with increases in allocations of employee benefits, other postemployment benefits, and pension activity to this function.

- Transportation expenses decreased primarily due to allocation of depreciation expense.

- Economic assistance and opportunity expenses increased primarily due to increased child care expenses in the current year along with increases in allocations of employee benefits, other postemployment benefits, and pension activity to this function.

- Home and community services decreased primarily due to lingering payments for flood mitigation payments received in the prior year.

Figures 3 and 4 show the sources of revenue for 2016 and 2015.

Figure 3 - Revenue by Source
Governmental Activities
2016

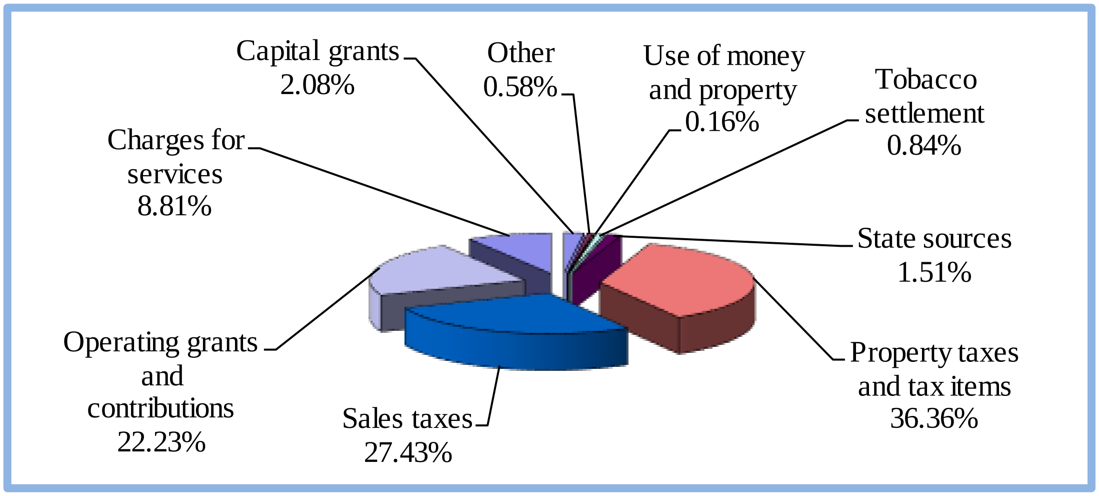
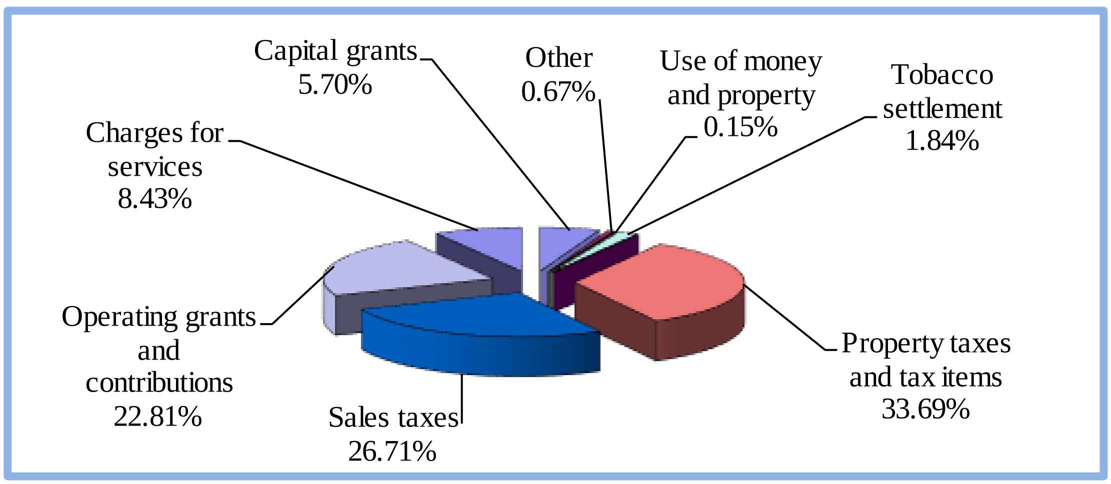


Figure 4 - Revenue by Source
Governmental Activities
2015



The cost of all Governmental Activities this year was $77,251,930. As shown in the Statement of Activities, the amount our taxpayers ultimately financed for these activities through County property and other tax revenues was $53,474,355, because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions. Overall, the County's governmental program revenues were $23,777,575. The County paid for the remaining "public benefit" portion of Governmental Activities with $48,031,001 in taxes and other revenues, such as interest and general entitlements.

Overall, program expenses of the County's Governmental Activities increased $3,089,104, which represents a 4.17% increase over the prior year. The total cost versus revenue generated by activities for the County's largest programs is presented below. The difference between the cost and revenue shows the relative financial burden placed on the County's taxpayers by each of these functions.

Figure 5 - Net Program Cost
Governmental Activities
2016

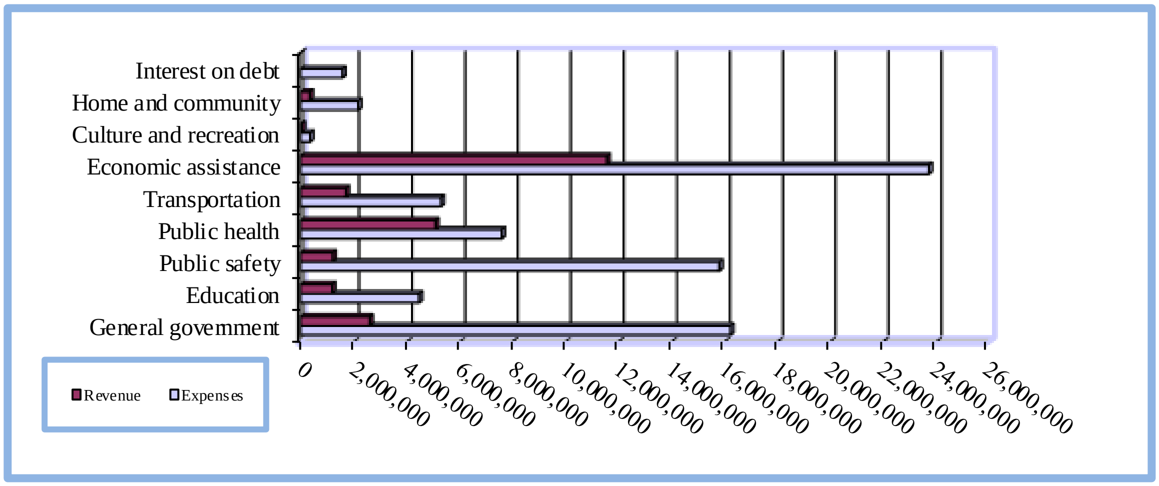
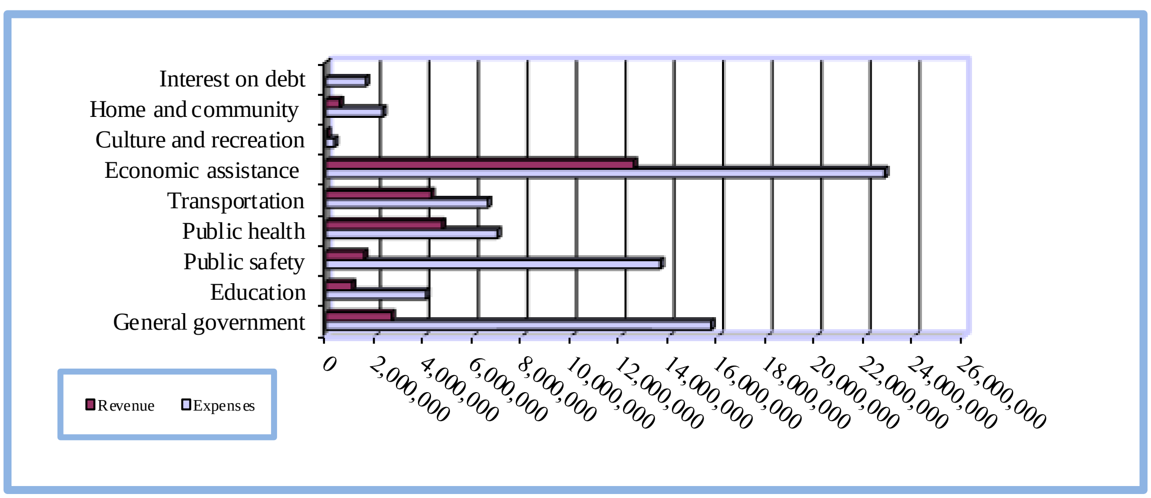


Figure 6 - Net Program Cost
Governmental Activities
2015



THE COUNTY'S FUNDS

At December 31, 2016, the County's Governmental Funds, as presented in the balance sheets on page 7, reported a combined fund balance of $36,295,565, which represents a decrease of (2.40)% from the prior year. Of this amount, $624,627 was non-spendable, $4,136,644 was restricted, and $9,995,522 was assigned, leaving $21,538,772 in unassigned fund balance. Figure 7 shows the changes in fund balance for the County's Governmental Funds.

Figure 7
Governmental Funds
Fund Balances

	2015	2016	Dollar Change 2015 - 2016	Percent Change 2015 - 2016
Major Funds:				
General Fund	$ 21,548,735	$ 24,621,813	$ 3,073,078	14.26%
Capital Projects Fund	13,331,337	9,499,041	(3,832,296)	(28.75%)
Nonmajor Funds:				
Special Revenue Funds:				
County Road Fund	231,494	(78,200)	(309,694)	(133.78%)
Road Machinery Fund	320,774	601,671	280,897	87.57%
Special Grant Fund	604,703	613,189	8,486	1.40%
Refuse and Garbage Fund	318,874	186,265	(132,609)	(41.59%)
Debt Service Fund	832,959	851,786	18,827	2.26%
Totals	**$ 37,188,876**	**$ 36,295,565**	**$ (893,311)**	**(2.40%)**

The increase in the General Fund is primarily related to favorable budget variances of $4,909,031. The decrease in the Capital Projects Fund is primarily due to capital outlay in excess of federal and state grant revenues. The decrease in the County Road Fund is consistent with the prior year and is due to transportation expenditures in excess of revenues and interfund transfers in from the General Fund. The increase in the Road Machinery Fund is due to additional interfund transfers in from the General Fund, and the decrease in the Refuse and Garbage Fund is primarily due to increases in contracted services for garbage removal.

General Fund Budgetary Highlights

Over the course of the year, the County Legislature revised the County budget several times. These budget amendments consist of budget transfers between functions, which did not increase the overall budget. In addition to these transfers, the County Legislature increased the overall budget to provide for unspent appropriations from the previous year (encumbrances) and various federal and state grants.

Actual charges to appropriations (expenditures) and other financing uses were below final budgeted amounts by $5,103,940. Resources available for appropriation and other financing sources were $194,909 under the final budgeted amounts.

Figure 8 - Budgetary Comparison Schedule - General Fund
December 31, 2016

	Original Budget	Final Budget	Actual w/ Encumbrances	Variance Fav.(Unfav.)
REVENUES AND OTHER FINANCING SOURCES				
Real property taxes and tax items	$ 24,545,804	$ 24,545,804	$ 25,182,022	$ 636,218
Nonproperty tax items	18,780,885	18,780,885	19,354,376	573,491
Departmental income and intergovernmental charges	5,611,965	5,650,475	5,108,189	(542,286)
Use of money and property	73,500	73,500	100,796	27,296
State sources	9,818,531	10,629,651	9,781,598	(848,053)
Federal sources	7,143,941	7,652,790	6,848,125	(804,665)
Other revenues and financing sources	488,705	494,428	1,257,518	763,090
Total Revenues and Other Financing Sources	**$ 66,463,331**	**$ 67,827,533**	**$ 67,632,624**	**$ (194,909)**
Appropriated Reserves and Fund Balance	**$ 1,757,544**	**$ 2,699,767**		
EXPENDITURES AND OTHER FINANCING USES				
General government	$ 11,137,994	$ 11,044,779	$ 10,509,253	$ 535,526
Education	4,467,115	4,875,708	4,712,424	163,284
Public safety	9,094,955	9,769,533	8,399,473	1,370,060
Public health	5,302,761	5,531,573	4,873,361	658,212
Transportation		501,032	190,734	310,298
Economic assistance and opportunity	19,935,691	20,105,873	19,087,733	1,018,140
Culture and recreation	345,135	348,461	346,422	2,039
Home and community services	632,414	642,414	637,461	4,953
Employee benefits	12,244,497	12,426,524	11,576,056	850,468
Debt service	2,107,700	2,107,700	2,107,699	1
Other financing uses	2,952,613	3,173,703	2,982,744	190,959
Total Expenditures and Other Financing Uses	**$ 68,220,875**	**$ 70,527,300**	**$ 65,423,360**	**$ 5,103,940**
Excess of Revenues and Other Financing Sources	**$ -**	**$ -**	**$ 2,209,264**	**$ 4,909,031**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2016, the County had $125,625,221, partially offset by accumulated depreciation of $(57,720,554), invested in a broad range of capital assets, including buildings and improvements, machinery and equipment, roads and bridges, and construction in process. This amount represents a net increase (including additions, disposals and depreciation) of $1,745,391 from the prior year.

Figure 9 - Capital Assets, Net of Depreciation

	Governmental Activities		Dollar Change	Percent Change
	2015	**2016**	**2015 - 2016**	**2015 - 2016**
Land	$ 1,344,100	**$ 1,344,100**	$ -	0.00%
Construction-in-progress	1,185,757	**1,641,571**	455,814	38.44%
Buildings and improvements	24,132,243	**23,410,923**	(721,320)	(2.99%)
Machinery and equipment	3,788,860	**4,085,250**	296,390	7.82%
Infrastructure	35,708,316	**37,422,823**	1,714,507	4.80%
Totals	**$ 66,159,276**	**$ 67,904,667**	**$ 1,745,391**	**2.64%**

This year's additions consisted of:

Construction in progress	$ 2,548,745
Buildings and Improvements	225,575
Machinery and equipment	1,209,557
Infrastructure	1,099,097
Total Additions	5,082,974
Less: Depreciation expense	(3,304,569)
Net book value of disposed assets	(33,014)
Total Net Change	**$ 1,745,391**

Debt Administration

At the end of 2016, the County and its blended component unit had total debt outstanding, in the form of serial bonds, of $31,206,720. The County's debt of $15,225,000 is backed by the full faith and credit of the County. Of this amount, $15,225,000 is subject to the County's statutory debt limit of $175,165,486, and represents approximately 8.7% of the County's debt limit. The blended component unit, Tioga Tobacco Asset Securitization Corporation, has debt of $15,981,720, which is backed by future Tobacco Settlement Revenues.

Figure 10 - Outstanding Debt at Years Ended

	Governmental Activities		Dollar Change
	2015	2016	2015 - 2016
Bonds - Issued by County	$ 16,640,000	$ 15,225,000	$ (1,415,000)
Bonds - Issued by TTASC	13,932,915	13,177,915	(755,000)
Tobacco settlement pass-through bonds accreted interest	2,449,622	2,803,805	354,183
Totals	**$ 33,022,537**	**$ 31,206,720**	**$ (1,815,817)**

Moody's Investors Service assigned the rating of A1 to the County's most recent debt issuance.

The County also has other long-term liabilities, which are further described in the footnotes.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- The County Legislature is sensitive to property tax burdens on the residents of the County and is working diligently on keeping taxes low and finding ways to have the County run more efficiently at a lower cost. In developing the 2017 Budget, the County decreased appropriations by a total of $137,395; appropriations decreased in the General Fund by $732,972. Revenues declined by $476,154; General Fund revenue declined by $52,462. The tax rate for 2017 is unchanged from 2016, which is under the 2% cap set by New York State.

- Through the first 6 months of 2017 sales tax revenue is up 5.52% over 2016. Energy prices may be a significant contributor. Sales tax revenue is expected to be within budget in 2017 or slightly over.

- The 2017 County Budget appropriates $1,825,220 (compared to $833,200 in 2016) for all Capital Projects (bridges and road projects).

- Employee benefits continue to challenge the 2017 budget, with $12,794,172 budgeted for 2017 compared to $13,364,614 for 2015, a 4.26% decrease overall, largely attributed to an approximate 5% decrease in NYS Retirement and Health Insurance/ HRA Billings.

- Gaming Revenue for 2016 was $1,084,549. This included the one-time $1 million dollar license fee. These funds have been earmarked to specific Capital Reserve accounts. In the 2017 budget, it is anticipated, with the addition of Gaming Revenue and the loss of VLT Revenue, the net revenue will be approximately $785,000.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

COUNTY OF TIOGA

STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Primary Government	Component Units	
	Governmental Activities	Industrial Development Agency	Soil and Water Conservation District
ASSETS			
Current Assets			
Cash and cash equivalents	$ 31,777,687	$ 1,447,917	$ 1,251,331
Restricted cash	3,360,762	797,719	
Investments		830,465	
Taxes receivable, net	6,573,874		
Accounts receivable, net	1,340,462	388,334	1,137,689
Loans and leases receivable - Current portion	225,086	96,145	
Due from state and federal governments	5,722,703		
Prepaid expenses	624,627		2,567
Total Current Assets	49,625,201	3,560,580	2,391,587
Noncurrent Assets			
Restricted cash and cash equivalents	775,882		
Loans and leases receivable, long-term portion		475,803	
Accounts receivable, long-term portion		373,318	
Capital assets-Land and construction in progress	2,985,671	3,275,424	
Capital assets-Depreciable, net of accumulated depreciation	64,918,996	843,552	474,500
Total Noncurrent Assets	68,680,549	4,968,097	474,500
Total Assets	118,305,750	8,528,677	2,866,087
Deferred Outflows of Resources			
Pensions	12,069,651		351,701
Total Deferred Outflows of Resources	12,069,651	-	351,701
LIABILITIES			
Current Liabilities			
Accounts payable	905,339	429,404	627,708
Accrued liabilities	884,486		28,754
Interest payable	195,346		
Due to other governments	4,497,757		
Compensated absences	965,843		
Contract advances			128,542
Unearned revenue	1,808,091		
Self insurance accruals	840,000		
Long-term obligations due within one year	1,980,000	93,463	
Total Current Liabilities	12,076,862	522,867	785,004
Long-term obligations due after one year	103,776,252	846,754	360,097
Total Liabilities	115,853,114	1,369,621	1,145,101
Deferred Inflows of Resources			
Pensions	2,457,580		87,931
Total Deferred Inflows of Resources	2,457,580	-	87,931
Net Position			
Net investment in capital assets	38,719,138	4,118,976	474,500
Restricted	2,115,453	419,857	933,952
Unrestricted	(28,769,884)	2,620,223	576,304
Total Net Position	**$ 12,064,707**	**$ 7,159,056**	**$ 1,984,756**

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS				
Primary Government				
Governmental Activities:				
General governmental support	$ 16,226,434	$ 2,395,144	$ 212,586	$
Education	4,468,732		1,195,653	
Public safety	15,807,692	501,100	711,042	
Health	7,603,118	2,711,161	2,375,962	
Transportation	5,295,084	315	371,683	1,339,649
Economic assistance and opportunity	23,727,856	683,098	10,881,623	
Culture and recreation	362,583	1,000	47,194	
Home and community services	2,176,952	26,790	166,362	157,213
Interest on debt	1,583,479			
Total Primary Government	**$ 77,251,930**	**$ 6,318,608**	**$ 15,962,105**	**$ 1,496,862**
Component Units				
Industrial Development Agency	503,798	1,391,069	351,307	
Soil and Water Conservation	2,772,729	213,205	2,509,451	
Total Component Units	**$ 3,276,527**	**$ 1,604,274**	**$ 2,860,758**	**$ -**

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

GENERAL REVENUES

Property taxes, levied for general purposes
Sales and other taxes
County appropriations
Tobacco settlement payments
State sources not restricted to specific programs
Use of money and property
Sale of property and compensation for loss
Miscellaneous
Fines and forfeitures

Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

See Independent Auditor's Report and Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Position		
Primary Government	Component Units	
Total Governmental Activities	Industrial Development Agency	Soil and Water Conservation District
$ (13,618,704)	$	$
(3,273,079)		
(14,595,550)		
(2,515,995)		
(3,583,437)		
(12,163,135)		
(314,389)		
(1,826,587)		
(1,583,479)		
(53,474,355)	-	-
	1,238,578	
		(50,073)
	1,238,578	(50,073)
(53,474,355)	1,238,578	(50,073)
26,108,454		
19,699,211		
		189,234
605,619		
1,084,549		
115,897	13,262	
(7,234)	934,200	
340,072		19,601
84,433		
48,031,001	947,462	208,835
(5,443,354)	2,186,040	158,762
17,508,061	4,973,016	1,825,994
$ 12,064,707	**$ 7,159,056**	**$ 1,984,756**

COUNTY OF TIOGA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	Major Funds		Total	
	General Fund	Capital Projects Funds	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents - Unrestricted	$ 20,527,845	$ 6,948,684	$ 1,044,149	$ 28,520,678
Cash and cash equivalents - Restricted	400,458	2,921,940	814,246	4,136,644
Taxes receivable, net	6,573,874			6,573,874
Other receivables, net	719,735		620,727	1,340,462
Due from other funds	1,455,924	129,500	1,717,464	3,302,888
Due from state and federal governments	5,380,494	302,639	39,570	5,722,703
Prepaid expenses	622,326		2,301	624,627
Loans receivable			225,086	225,086
Total Assets	**$ 35,680,656**	**$ 10,302,763**	**$ 4,463,543**	**$ 50,446,962**
LIABILITIES				
Accounts payable	$ 784,519	$ 44,004	$ 16,363	$ 844,886
Accrued liabilities	684,121	500	195,926	880,547
Due to other funds	1,831,964		1,470,924	3,302,888
Due to other governments	3,883,963	613,794		4,497,757
Unearned revenue	1,662,667	145,424		1,808,091
Total Liabilities	8,847,234	803,722	1,683,213	11,334,169
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	2,211,609		605,619	2,817,228
FUND BALANCES				
Nonspendable	622,326		2,301	624,627
Restricted	400,458	2,921,940	814,246	4,136,644
Assigned	1,982,057	6,577,101	1,436,364	9,995,522
Unassigned	21,616,972		(78,200)	21,538,772
Total Fund Balances	24,621,813	9,499,041	2,174,711	36,295,565
Total Liabilities, Deferred Inflows of Resources and Fund Balances	**$ 35,680,656**	**$ 10,302,763**	**$ 4,463,543**	**$ 50,446,962**

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION DECEMBER 31, 2016

Total Governmental Fund Balances		**$ 36,295,565**
Amounts reported for Governmental Activities in the Statement of Net Position are different because:		
Capital assets, net of accumulated depreciation, used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.		
Historical cost of capital assets	$ 125,625,221	
Less accumulated depreciation	(57,720,554)	67,904,667
The County's proportionate share of the local retirement systems' collective net pension liability is not reported in the funds.		
Net pension liability - Proportionate share		(11,813,394)
Certain revenues are deferred in Governmental Funds due to applying the "availability criterion" to receivables for the modified accrual basis of accounting. However, these deferred inflows of resources are considered revenues in the Statement of Activities due to applying the full accrual basis of accounting.		2,817,228
Internal Service Fund is 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 Fund is included in Governmental Activities in the Statement of Net Position.		(2,557,383)
Certain accrued expenses, such as interest on debt, reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported as liabilities in Governmental Funds.		(195,346)
Deferred outflows of resources represents a consumption of net position that applies to future periods and, therefore, is not reported in the Governmental Funds. Deferred inflows of resources represents an acquisition of net position that applies to future periods and, therefore, is not reported in the Governmental Funds.		
ERS deferred inflows - Pensions	$ (2,457,580)	
ERS deferred outflows - Pensions	12,069,651	9,612,071
Long-term liabilities, including bonds payable, compensated absences, and other postemployment benefits liability, are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable	$ (28,402,915)	
Accreted interest on TASC bonds	(2,803,805)	
Other postemployment benefits liability	(57,826,138)	
Compensated absences	(965,843)	(89,998,701)
Net Position of Governmental Activities		**$ 12,064,707**

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, 2016

	Major Funds		Total	
	General Fund	Capital Projects Funds	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Real property taxes	$ 22,440,790	$	$ 1,023,622	$ 23,464,412
Real property tax items	2,741,232		58,943	2,800,175
Nonproperty tax items	19,354,376	344,835		19,699,211
Departmental income	4,796,657		22,205	4,818,862
Intergovernmental charges	311,532			311,532
Use of money and property	100,796	1,323	12,956	115,075
Licenses and permits	74,370			74,370
Fines and forfeitures	84,433			84,433
Sale of property and compensation for loss	25,000		780	25,780
Miscellaneous local sources	331,765	1,280	7,027	340,072
Tobacco settlement revenue			1,371,514	1,371,514
State sources	9,781,598	1,267,431	166,073	11,215,102
Federal sources	6,848,125	38,523	441,766	7,328,414
Total Revenues	66,890,674	1,653,392	3,104,886	71,648,952
EXPENDITURES				
General governmental support	10,348,399		45,426	10,393,825
Education	4,468,732			4,468,732
Public safety	8,299,810			8,299,810
Health	4,652,355			4,652,355
Transportation	190,734		2,043,599	2,234,333
Economic assistance and opportunity	18,957,933		165,069	19,123,002
Culture and recreation	346,422			346,422
Home and community services	628,662		1,344,719	1,973,381
Employee benefits	11,576,056		1,021,650	12,597,706
Debt service (principal and interest)	2,107,699		1,309,581	3,417,280
Capital outlay		4,939,213		4,939,213
Total Expenditures	61,576,802	4,939,213	5,930,044	72,446,059
Excess of Revenues (Expenditures)	5,313,872	(3,285,821)	(2,825,158)	(797,107)
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	741,950	100,498	2,702,957	3,545,405
Interfund transfers (out)	(2,982,744)	(646,973)	(11,892)	(3,641,609)
Total Other Financing (Uses) Sources	(2,240,794)	(546,475)	2,691,065	(96,204)
Excess of Revenues (Expenditures) and Other Financing Sources (Uses)	3,073,078	(3,832,296)	(134,093)	(893,311)
Fund Balances, Beginning	21,548,735	13,331,337	2,308,804	37,188,876
Fund Balances, Ending	**$ 24,621,813**	**$ 9,499,041**	**$ 2,174,711**	**$ 36,295,565**

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, 2016

Net Change in Fund Balances - Total Governmental Funds		**$ (893,311)**
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	$ 5,082,974	
Net book value of disposed assets	(33,014)	
Depreciation expense	(3,304,569)	1,745,391
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the change in certain deferred inflows of resources.		(922,028)
Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Repayment of principal		2,170,000
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in Governmental Funds. Changes in these expenses include the following:		
Change in compensated absences	$ 12,872	
Change in postemployment benefits liability	(5,999,078)	
Change in accrued interest payable	17,984	
Change in accreted interest on TASC capital appreciation bonds	(354,183)	(6,322,405)
Changes in the County's proportionate share of net pension liabilities have no effect on current financial resources and, therefore, are not reported in the Governmental Funds. In addition, changes in the County's deferred outflows of resources and deferred inflows of resources related to pensions do not effect current financial resources and are also not reported in the Governmental Funds.		
Deferred outflows - Pensions	$ 9,642,976	
Net pension liability - Proportionate share	(9,235,738)	
Deferred inflows - Pensions	(1,841,208)	(1,433,970)
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.		212,969
Change in Net Position of Governmental Activities		**$ (5,443,354)**

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA

STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2016

		Governmental Activities
		Internal Service Fund
ASSETS		
Current Assets		
Cash and cash equivalents	$	3,257,009
Total Assets		3,257,009
LIABILITIES		
Current Liabilities		
Accounts payable		60,453
Accrued liabilities		3,939
Self insurance accruals		840,000
Total Current Liabilities		904,392
Noncurrent Liabilities		
Benefits and awards payable		4,910,000
Total Noncurrent Liabilities		4,910,000
Total Liabilities		5,814,392
NET POSITION		
Unrestricted		(2,557,383)
Total Net Position (Deficit)	**$**	**(2,557,383)**

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Governmental Activities Internal Service Fund
OPERATING REVENUES	
Charges for services	$ 1,753,309
Other operating revenues	52,035
Total Operating Revenues	1,805,344
OPERATING EXPENSES	
Salaries and wages	205,971
Contractual	599,963
Benefits and awards	875,732
Claims and judgments	7,735
Total Operating Expenses	1,689,401
Income from Operations	115,943
NONOPERATING REVENUES (EXPENSES)	
Interest income	822
Transfer from other funds	179,289
Transfer to other funds	(83,085)
Total Nonoperating Revenues	97,026
Change in Net Position	212,969
Net Position (Deficit), January 1,	(2,770,352)
Net Position (Deficit), December 31,	**$ (2,557,383)**

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, 2016

	Governmental Activities Internal Service Fund
Cash Flows from Operating Activities	
Cash received from providing services - External participants	$ 1,804,529
Cash received from insurance recoveries	52,035
Cash payments - Employees	(202,032)
Cash payments - Claims and benefits	(883,467)
Cash payments - Vendors	(581,092)
Net Cash Provided by Operating Activities	189,973
Cash Flows from Non-capital Financing Activities	
Transfer from other funds	179,289
Transfer to other funds	(83,085)
Net Cash Provided by Non-capital Financing Activities	96,204
Cash Flows from Investing Activities	
Interest income received	822
Net Cash Provided by Investing Activities	822
Net Increase in Cash and Cash Equivalents	286,999
Cash and Cash Equivalents, January 1,	2,970,010
Cash and Cash Equivalents, December 31,	**$ 3,257,009**
Reconciliation of Income from Operations to Net Cash Provided by Operating Activities:	
Income from operations	$ 115,943
Decrease in other receivables	51,220
Increase in accounts payable	18,871
Increase in accrued liabilities	3,939
Net Cash Provided by Operating Activities	**$ 189,973**

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2016

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents - Unrestricted	$ 96,774	$ 366,008
Accounts receivable		45,484
Total Assets	96,774	**$ 411,492**
LIABILITIES		
Agency liabilities		$ 411,492
Total Liabilities	-	**$ 411,492**
NET POSITION		
Held in trust for private purposes	**$ 96,774**	

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

		Private Purpose Trust Funds
ADDITIONS		
Contributions	$	
Total Additions		-
DEDUCTIONS		
Distributions		663
Total Deductions		663
Change in Net Position		(663)
Net Position - Beginning		97,437
Net Position - Ending	**$**	**96,774**

See Independent Auditor's Report and Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies**

The financial statements of the County of Tioga (the County) have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant of the County's accounting policies are described below.

Financial Reporting Entity

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

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

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

The financial reporting entity consists of (a) the primary government which is the County, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's statements to be misleading or incomplete, as set forth in GASB Statement No. 14, “The Financial Entity,” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations are Component Units,” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus - an Amendment to GASB Statements No. 14 and 34.”

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

Note 1 Summary of Significant Accounting Policies - Continued

Blended Component Units

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

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

Discretely Presented Component Units

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

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

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

Basic Financial Statements

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

Government-wide Financial Statements

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

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

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

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

Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas.

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

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

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

Major Funds

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

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

Non-Major Funds

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

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

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

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

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

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

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

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

- Internal Service Fund - Accounts for accumulation of resources for payment of unemployment insurance as authorized by §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 §6N of the General Municipal Law.

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

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

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

Basis of Accounting/Measurement Focus
Basis of accounting refers to <u>when</u> 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 <u>what</u> is measured, i.e. expenditures or expenses.

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

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

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

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

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

Equity Classifications

Government-wide Financial Statements
Equity is classified as net position and displayed in three components:

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

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

- Unrestricted - Consists remaining net resources that does not meet the definition of “restricted” or “net investment in capital assets.”

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

Governmental Fund Financial Statements

Governmental Fund equity is classified as fund balance. Proprietary Fund equity is classified the same as in the Government-wide financial statements. Any capital gains or interest earned on reserve fund resources becomes part of the respective reserve fund. While a separate bank account is not necessary for each reserve fund, a separate identity for each reserve fund must be maintained.

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

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

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

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

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

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

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

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

Property Taxes
The authority of levying taxes for the support of County and town governments, inclusive of special districts, and for re-levying unpaid school taxes, has been delegated by the State Legislature to the governing board of the County through various provisions of the Real Property Tax Law. For purposes of both County and town taxes, the value of real property is listed and established by the towns for each parcel of real property therein. Amounts to be raised by tax are determined from balances budgets of towns and the County and levied on or before December 31, each year. Unpaid school taxes are purchased from each school district and added to tax levies and, until paid, are counted among the assets of the County; the County thus acquires all rights, title, and interest in any unpaid school taxes. Any such taxes remaining unpaid at the time of the tax sale are sold along with any other unpaid taxes subject to County enforcement.

County real property taxes are levied annually no later than December 31, on the assessed value of all real property located within the County and become a tax lien on January 1. Taxes are collected in towns from January 1 to a date not later than June 1 when settlement is made with the County Treasurer, who makes collections thereafter. The towns' shares of tax levies, which are guaranteed by the County, are paid to Town Supervisors out of the first monies received. Unpaid taxes are assessed a 5% penalty, bearing interest at an annual variable rate determined by the New York State Commission of Taxation and Finance.

Property taxes are recorded as receivables and revenues at the time the tax levy is billed. Uncollected amounts estimated to be collected subsequent to the first 60 days after year end are recorded as deferred inflows of resources.

School district taxes are turned over to the County for enforcement on November 15. The County collects the second installment of school taxes on or before November 30. Payment to school districts for second installments is required to be remitted within ten days of collection. On December 1, any such taxes remaining unpaid are relevied as County taxes in the subsequent year. The balance of uncollected school taxes is required to be remitted by April 1.

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

Property Tax - Continued
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.

Sales Tax
The County imposes a 4% sales tax in the County, and in accordance with Section 14 of the tax law, shares a portion of the sales tax collections with the towns and villages. In addition, a portion of sales tax collections are restricted to a capital reserve fund to be used only to finance capital improvement projects. The Capital Projects Fund's non-property tax item amounting to $344,835 is sales tax designated for capital projects.

The General Fund’s primary non-property tax item is sales tax, which amounted to $19,064,598. At December 31, 2016 this amount included an accrual of $1,266,856, which is included in state and federal receivables, for sales that occurred in the State of New York in 2016 which were not received by the County at December 31, 2016. Of the $19,064,598 recognized as revenue, $4,924,406 was distributed to local municipalities within the County.

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

Investments
Investments are stated at cost, which approximates market value.

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

Revenues
Substantially all Governmental Fund revenues are accrued. Property tax receivables expected to be received later than 60 days after year end are reported as deferred inflows of resources in the Governmental Fund financial statements. In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements are met. Resources transmitted before time eligibility requirements are met are reported as deferred outflows of resources by the provider and deferred inflows of resources revenue by the recipient. Resources transmitted before all other eligibility requirements are met are reported as advances by the provider and unearned revenue by the recipient.

Note 1 Summary of Significant Accounting Policies - Continued

Deferred Outflows and Inflows of Resources

In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County reports deferred outflows related to pensions in the Statements of Net Position. The types of deferred outflows related to pensions are described in Note 6.

In addition to liabilities, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The County reports deferred inflows related to pensions which are further described in Note 6. In addition, the governmental funds report unavailable revenue from taxes and loans receivable that remain uncollected 60 days after year end.

Constitutional Tax Limit

The amount that may be raised by the County-wide tax levy on real estate in any fiscal year (for purposes other than debt service on County indebtedness) is limited to one and one-half per centum (subject to increase up to two per centum by resolution of the County Legislature) of the five-year average full valuation of taxable real estate of the County, per New York State statutes.

The County's constitutional tax limit (per New York State statutes) for the fiscal year ended December 31, 2016 is computed as follows:

Five-Year Average Full Valuation of Taxable Real Estate (2012-2016)	$	2,502,364,086
Tax limit @ 1.7%		42,540,189
Less :		
Tax levy		23,074,197
Less exclusions		(1,951,162)
Tax levy subject to tax limit		21,123,035
Tax Margin	**$**	**21,417,154**

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

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

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

Unearned Revenues
The County reports unearned revenues on its Statement of Net Position and its Balance Sheet. Unearned revenue arises when resources are received by the County before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. In subsequent periods, when the County has legal claim to resources, the liability is removed and revenue is recognized.

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

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

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

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

Postemployment Benefits

In addition to providing pension benefits, the County provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the County's employees may become eligible for these benefits if they reach normal retirement age while working for the County. Health care benefits and survivors benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The County recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid. The County adopted GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." The County's liability for other postemployment benefits has been recorded in the Statement of Net Position, in accordance with this statement. See more detailed information in Note 7.

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 10.

- Employees are granted vacation leave credits of 10 to 20 days per year depending on their contract and years of service. Up to two weeks of such leave can be carried over to the following year unless unusual circumstances exist and more time is requested and approved. Upon resignation or retirement, employees are paid for all unused vacation leave. Liability for compensated absences totaling $965,843 is reported as an accrued liability in the Governmental Activities, as such, amounts were not due and payable at December 31, 2016.

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

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.

Insurance
The County assumes the liability for most risk including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

New Accounting Standards
The County adopted and implemented the following current Statements of the Governmental Accounting Standards Board (GASB) effective for the year ending December 31, 2016:

- GASB has issued Statement No. 77, “Tax Abatement Disclosures,” effective for the year ending December 31, 2016.

- GASB has issued Statement No. 78, “Pensions Provided through Certain Multiple - Employer Defined Benefit Pension Plans,” effective for the year ending December 31, 2016.

Future Changes in Accounting Standards

- GASB has issued Statement No. 73, “Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68,” effective for the year ending December 31, 2017.

- GASB has issued Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,” effective for the year ending December 31, 2018. This statement replaces the requirements of Statements No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions,” as amended, and No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB.”

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

Future Changes in Accounting Standards

- GASB has issued Statement No. 80, "Blending Requirements for Certain Component Units - an amendments of GASB Statement No. 14," effective for the year ending December 31, 2017.

- GASB has issued Statement No. 81, "Irrevocable Split-Interest Agreements," effective for the year ending December 31, 2017.

- GASB has issued Statement No. 82, "Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73," effective for the year ending December 31, 2017, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

- GASB has issued Statement No. 83, "Certain Asset Retirement Obligations," effective for the year ending December 31, 2019.

- GASB has issued Statement No. 84, "Fiduciary Activities," effective for the year ending December 31, 2019.

- GASB has issued Statement No. 85, "Omnibus 2017," effective for the year ending December 31, 2018.

- GASB has issued Statement No. 86, "Certain Debt Extinguishment Issues," effective for the year ending December 31, 2018.

- GASB has issued Statement No. 87, "Leases," effective for the year ending December 31, 2020.

The County will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

Note 2 **Cash and Investments**

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. While the County does not have a specific policy for custodial credit risk, New York State statutes govern the County's investment policies. 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.

The County's monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. The Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities. Collateral (security) is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and school districts, obligations of Puerto Rico, obligations of municipalities of other states, obligations of domestic corporations, mortgage related securities, commercial paper and bankers acceptances, and zero coupon obligations of the United States.

GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits were either uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the County's name.

The County's aggregate bank balances of $35,815,331 include $73,603 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 of $775,882, and held by the TASC trustee.

Interest Rate Risk

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

Note 2 Cash and Investments - Continued

Restricted Cash
Restricted cash and cash equivalents of the primary government at December 31, 2016 consisted of the following:

Purpose		Amount
General Fund		
STOP DWI Program	$	104,760
Criminal forfeiture proceeds		7,097
Unexpended hotel/motel usage proceeds		96,338
Unexpended handicapped parking proceeds		1,069
Debt service reserve		191,194
Total General Fund		400,458
Capital Fund		
Software reserve	$	395,758
Hardware reserve		230
Public land, structure, and equipment		118,616
Financial management system reserve		386,145
Unspent debt proceeds		2,021,191
Total Capital Fund		2,921,940
Refuse and Garbage Fund		
Unexpended solid waste facility proceeds		38,364
Debt Service (TTASC) Fund		
TTASC		775,882
Total Governmental Activities	**$**	**4,136,644**

Note 2 **Cash and Investments - Continued**

Discretely Presented Component Unit - Tioga County Soil and Water Conservation District (District)
Total bank balances of the District, totaled approximately $1,244,000 at December 31, 2016 and were entirely insured or collateralized with securities held by TCIDA's agent in the Agency's name.

Discretely Presented Component Unit - Industrial Development Agency (Agency)
Total bank balances of the Agency, including long-term certificates of deposit, totaled approximately $3,076,101 at December 31, 2016 and were entirely insured or collateralized with securities held by TCIDA's agent in the Agency's name. Cash and investments in the amount of $797,719 were restricted for use as part of the Agency's Board designated, outside contractual and loan program restrictions. The Agency also had certificates of deposit of $830,465, with interest rates ranging from 0.20% to 1.15%, all of which mature in 2017.

Note 3 **Property Taxes**
Property taxes levied for 2016 are recorded as revenue and receivables, net of estimated uncollectible amounts. In the fund financial statements, the net receivables collected during 2016 and expected to be collected within the first 60 days of 2017 are recognized as revenues in 2016.

Net receivables estimated to be collectible subsequent to the first 60 days of 2017 are reflected as unavailable revenue. At December 31, 2016, the County recognized $2,211,609 of unavailable tax revenue.

Taxes receivable at December 31, 2016 are summarized as follows:

Returned school taxes receivable	$	3,396,346
Taxes receivable - Overdue		3,660,523
Delinquent village taxes receivable		485,622
Other		851
Allowance for uncollectible taxes		(969,468)
Total	**$**	**6,573,874**

Uncollected school and village taxes assumed by the County as a result of settlement proceedings are reported as receivables in the General Fund to maintain central control and provide for tax settlement and enforcement proceedings. The portion of the receivable that represents taxes re-levied for schools and villages in the amount of $3,847,429 is reflected as part of a liability, due to other governments, in the accompanying basic financial statements.

Note 4 Receivables

State and Federal Receivables

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

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

Tobacco Settlement and Other

In October 2000, the County sold to TTASC all of its future rights, title and interest, in the tobacco settlement revenues. As part of this sale, the County became the beneficial owner of a Residual Certificate, which represents the entitlement to receive all amounts required to be distributed after payment of debt service, operating expenses and certain other costs. The Non-Major Governmental Funds reflect $1,371,514 of tobacco settlement revenues for the year ended December 31, 2016. The amount recognized in the Statement of Activities, on the accrual basis, is $605,619.

Other Accounts Receivable

Other accounts receivable as of December 31, 2016, are as follows:

Governmental Activities		Amount
Various fees and charges recorded in:		
General Fund	$	719,735
Road Machinery Fund		3,308
Refuse and Garbage Fund		11,800
Tobacco settlement revenues recorded in the Debt Service Fund		605,619
Total	**$**	**1,340,462**

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 5 Capital Assets

Capital asset activity for the year ended December 31, 2016, was as follows:

	Balance at 12/31/2015	Additions	Disposals/Re-classifications	Balance at 12/31/2016
Governmental Activities				
Land	$ 1,344,100	$	$	$ 1,344,100
Construction in progress	1,185,757	2,548,745	(2,092,931)	1,641,571
Total Non-depreciable Capital Assets	2,529,857	2,548,745	(2,092,931)	2,985,671
Buildings	34,629,556	225,575		34,855,131
Machinery and equipment	15,300,493	1,209,557	(232,185)	16,277,865
Infrastructure	68,314,526	1,099,097	2,092,931	71,506,554
Total Depreciable Capital Assets	118,244,575	2,534,229	1,860,746	122,639,550
Total Historical Cost	120,774,432	5,082,974	(232,185)	125,625,221
Less Accumulated Depreciation:				
Buildings	(10,497,313)	(946,895)		(11,444,208)
Machinery and equipment	(11,511,633)	(880,153)	199,171	(12,192,615)
Infrastructure	(32,606,210)	(1,477,521)		(34,083,731)
Total Accumulated Depreciation	(54,615,156)	(3,304,569)	199,171	(57,720,554)
Governmental Activities Capital Assets, Net	**$ 66,159,276**	**$ 1,778,405**	**$ (33,014)**	**$ 67,904,667**

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government support	$ 883,645
Public safety	445,654
Public health	21,538
Transportation	1,911,627
Economic assistance and opportunity	36,234
Home and community	5,871
Total	**$ 3,304,569**

Note 5 **Capital Assets - Continued**

Capital asset activity for the Industrial Development Agency for the year ended December 31, 2016, was as follows:

TCIDA	Balance at 12/31/2015	Additions	Disposals	Balance at 12/31/2016
Land	$ 633,511	$ 5,000	$	$ 638,511
Construction in progress	-	2,636,913		2,636,913
Total Non-depreciable Capital Assets	633,511	2,641,913	-	3,275,424
Railroad tracking and facilities	1,976,669			1,976,669
Machinery and equipment	1,701			1,701
Total Depreciable Capital Assets	1,978,370	-	-	1,978,370
Total Historical Cost	2,611,881	2,641,913	-	5,253,794
Less Accumulated Depreciation:	(1,111,513)	(23,305)		(1,134,818)
TCIDA Capital Assets, Net	**$ 1,500,368**	**$ 2,618,608**	**$ -**	**$ 4,118,976**

Capital asset activity for the Soil and Water Conservation District for the year ended December 31, 2016, was as follows:

TCSWCD	Balance at 12/31/2015	Additions	Disposals	Balance at 12/31/2016
Office equipment	$ 31,738	$ 2,650	$	$ 34,388
Program buildings and equipment	1,369,622	42,464	(16,919)	1,395,167
Total Historical Cost	1,401,360	45,114	(16,919)	1,429,555
Less Accumulated Depreciation:				
Office equipment	(21,839)	(2,848)		(24,687)
Program buildings and equipment	(847,341)	(99,946)	16,919	(930,368)
	(869,180)	(102,794)	16,919	(955,055)
TCSWCD Capital Assets, Net	**$ 532,180**	**$ (57,680)**	**$ -**	**$ 474,500**

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

Plan Descriptions and Benefits Provided

Employees' Retirement System (ERS)
The County participates in the New York State and Local Employees' Retirement System (the System). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

The System is noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier VI vary based on a sliding salary scale. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31.

Summary of Significant Accounting Policies
The System's financial statements from which the System's fiduciary net position is determined are prepared using the accrual basis of accounting. Plan member contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Plan investments are reported at fair value. For detailed information on how investments are valued, please refer to the System's annual report.

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

	2016	2015	2014
County - ERS	$ 2,528,606	$ 2,962,866	$ 3,421,461
TCSWCD - ERS	69,896	76,553	30,261

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

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

At December 31, 2016, the County reported the following liability for its proportionate share of the net pension liability for the System. The net pension liability was measured as of March 31, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The County's proportionate share of the net pension liability was based on a projection of the County's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was derived from report provided to the County by the ERS System.

		ERS
Actuarial valuation date		4/1/2015
Net pension liability	$	16,050,279,000
County's proportionate share of the Plan's total net pension		11,813,394
County's share of the Plan's total net pension liability		0.0736024%
TCSWCD's portion of the Plan's total net pension liability		338,335
TCSWCD's share of the Plan's total net pension liability		0.0021080%

For the year ended December 31, 2016, the County recognized pension expense of $3,917,447 for ERS in the financial statements. At December 31, 2016 the County's reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources:

		County - ERS		TCSWCD - ERS
Deferred Outflows of Resources				
Differences between expected and actual experience	$	59,696	$	1,710
Changes of assumptions		3,150,276		90,224
Net differences between projected and actual earnings on pension plan investments		7,008,353		200,719
Changes in proportion and differences between the County's contributions and proportionate share of contributions				6,626
County's contributions subsequent to the measurement date		1,851,326		52,422
Total	**$**	**12,069,651**	**$**	**351,701**
Deferred Inflows of Resources				
Differences between expected and actual experience	$	(1,400,281)	$	(40,104)
Changes in proportion and differences between the County's contributions and proportionate share of contributions		(1,057,299)		(47,827)
Total	**$**	**(2,457,580)**	**$**	**(87,931)**

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

County contributions subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	County - ERS	TCSWCD - ERS
2017	$ 1,933,629	$ 50,786
2018	1,933,629	50,786
2019	1,933,629	50,786
2020	1,959,858	58,990
2021		
Thereafter		

Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	ERS
Measurement date	March 31, 2016
Actuarial valuation date	April 1, 2015
Investment rate of return	7.0%
Salary increases	3.8%
Cost of living adjustments	1.3%
Inflation rate	2.5%

For ERS, annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on Society of Actuaries' Scaple MP-2014.

The actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

The long term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each target asset allocation percentage and by adding expected inflation.

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

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

	ERS
Measurement date	March 31, 2016
Asset Type:	
Domestic equities	7.30%
International equities	8.55%
Real estate	8.25%
Private equity/Alternative investments	11.00%
Absolute return strategies	6.75%
Opportunistic portfolio	8.60%
Real assets	8.65%
Cash	2.25%
Inflation-indexed bonds	4.00%
Mortgages and bonds	4.00%

Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based on the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or higher than the current rate:

ERS	1% Decrease (6.0%)	Current (7.0%)	1% Increase (8.0%)
County's proportionate share of the net pension liability	$ 26,638,345	$ 11,813,394	$ (713,056)
TCSWCD's proportionate share of the net pension liability	762,920	338,335	(20,422)

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

Pension Plan Fiduciary Net Position

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

		Dollars in Thousands
		ERS
Measurement date		March 31, 2016
Employers' total pension liability	$	172,303,544
Plan net position		(156,253,265)
Employers' net pension liability	**$**	**16,050,279**
Ratio of Plan Net Position to the Employers' Total Pension Liability		90.7%

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of December 31, 2016 represent the projected employer contribution for the period of April 1, 2016 through December 31, 2016 based on estimated ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of December 31, 2016 amounted to $-0-.

Effect on Net Position

Changes in the net pension liability and deferred outflows and deferred inflows of resources for the year ended December 31, 2016 resulted in the following effect on net position:

		Beginning Balance		Change		Ending Balance
County - ERS:						
Net pension liability	$	(2,577,656)	$	(9,235,738)	$	(11,813,394)
Deferred outflows of resources		2,426,675		9,642,976		12,069,651
Deferred inflows of resources		(616,372)		(1,841,208)		(2,457,580)
County Total Effect on Net Position	**$**	**(767,353)**	**$**	**(1,433,970)**	**$**	**(2,201,323)**
TCSWCD - ERS:						
Net pension liability	$	(60,786)	$	(277,549)	$	(338,335)
Deferred outflows of resources		69,919		281,782		351,701
Deferred inflows of resources		(47,462)		(40,469)		(87,931)
TCSWCD Total Effect on Net Position	**$**	**(38,329)**	**$**	**(36,236)**	**$**	**(74,565)**

Note 7 **Postemployment Benefits Other Than Pensions**

In addition to the pension benefits described above, the County provides postretirement health care benefits to all employees who retire from the County in accordance with Article 2, §75-g, Article 14, and Article 15 of the New York State Retirement and Social Security Law. During 2016, 219 retirees participated in this program. When a retiree hired on or before 1992 elects such coverage, the individual payment is $20 per month and the family payment is $25 per month. For retirees hired after 1992, through 2005, the cost is 50% of the monthly premium. For those hired after 2005, the retiree's cost is 20-70% of the premium, dependent upon years of service with the County. Additionally, when an employee retires with accumulated sick leave, the dollar equivalent of the retiree's accumulated sick leave is credited to the retiree and used to fund their share of the premium cost of the health insurance program available to the retiree group. Certain premium savings are realized for employees eligible for Medicare coverage (i.e., over age 65). The entire amount of any savings realized is deducted from the employees' contribution. During 2016, expected contributions for this program were $2,655,665.

The County follows GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." An actuarial valuation of the County Postretirement Health Care Plans (Plan) was performed as of January 1, 2015 for the fiscal years ending December 31, 2015 and 2016.

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.

Contribution requirements of Plan members and the County are established and may be amended by the County Legislature. The County Legislature has negotiated several collective bargaining agreements, which include obligations of Plan members and the County. The required contribution is based on projected pay-as-you-go financing requirements. Plan members receiving benefits may be required to contribute to the Plan depending on their hire date and collective bargaining unit.

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of 30 years.

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

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:

		2016
Normal cost	$	3,876,588
Amortization of UAAL		5,586,961
Total Annual Required Contribution		9,463,549
Interest on net OPEB obligation		2,073,082
Adjustment to annual required contribution		(2,881,888)
Annual OPEB Cost (Expense)		8,654,743
Estimated contributions made on behalf of retirees		(2,655,665)
Increase in Net OPEB Obligation		5,999,078
Net OPEB Obligation - January 1, 2016		51,827,060
Net OPEB Obligation - December 31, 2016	**$**	**57,826,138**

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2016 is as follows:

Fiscal Year Ended		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
12/31/2016	$	8,654,743	30.7%	$	57,826,138
12/31/2015		8,312,661	29.9%		51,827,060
12/31/2014		8,021,793	28.1%		46,000,514

As of December 31, 2016, the Plan was not funded. The actuarial accrued liability for benefits was $96,609,916; there are no assets legally segregated for the Plan. The covered payroll (annual payroll of active employees covered by the Plan) was $16,962,212 and the ratio of the Unfunded Actuarial Accrued Liability (UAAL) to the covered payroll was 570%.

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

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

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

In the January 1, 2015, actuarial valuation, the projected unit credit actuarial cost method was used. Actuarial assumptions included an annual healthcare cost trend rate of 8.5% initially, reduced by decrements to an ultimate rate of 3.84% in 2076. The rate includes a 4% inflation assumption.

Note 8 **Short-term Debt**

The County may issue revenue anticipation notes (RANs) and tax anticipation notes (TANs), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund. During the year ended December 31, 2016 the County did not issue or redeem any short-term RANs or TANs.

The County may issue bond anticipation notes (BANs), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date. Such notes may be classified as long-term when (1) the intention is to refinance the debt on a long-term basis and (2) the intention can be substantiated through a post balance sheet issuance of long-term debt or by an acceptable financing agreement. During the year ended December 31, 2016 the County did not issue or redeem any short-term BANs.

Note 9 **Long-term Debt**

Constitutional Debt Limit

At December 31, 2016, the total outstanding indebtedness of the County aggregated to $31,206,720. Of this amount, $15,225,000 is subject to the statutory debt limit, and represents approximately 8.7% of the County’s debt limit.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 9 Long-term Debt - Continued

Serial Bonds

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

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

Changes in Indebtedness

The following is a summary of changes in indebtedness for the period ended December 31, 2016:

	Balance 12/31/2015	Additions	Deletions	Balance 12/31/2016	Amount Due Within One Year
Indebtedness					
Serial Bonds	$ 30,572,915	$	$ (2,170,000)	$ 28,402,915	$ 1,980,000
Add: Accreted interest payable	2,449,622	354,183		2,803,805	
Carrying Value of Bonds	33,022,537	354,183	(2,170,000)	31,206,720	1,980,000
Total	**$ 33,022,537**	**$ 354,183**	**$ (2,170,000)**	**$ 31,206,720**	**$ 1,980,000**

The following is a summary of serial bond indebtedness as of December 31, 2016:

Description	Date Issued	Original Amount	Interest Rate	Maturity Date	Balance Outstanding
Serial Bonds					
Issued by TTASC:					
Series 2005	8/2005	$ 21,713,420	4.25-5.00%	12/2045	$ 13,177,915
Add current year additions to accreted interest on capital appreciation bonds					2,803,805
Carrying value of TTASC bonds					15,981,720
Issued by the County:					
Public Improvement - 2010	11/2010	9,000,000	3.36-9.07%	3/2030	7,295,000
Public Improvement - 2013	8/2013	9,995,000	1.50-2.75%	8/2023	7,930,000
Total					**$ 31,206,720**

Note 9 **Long-term Debt - Continued**

The TTASC Series 2005 bonds are comprised of tax exempt turbo bonds in the amount of $10,845,000 and $2,332,915 of tax exempt turbo capital appreciation bonds. As of December 31, 2016, total accreted interest of $2,803,805 has been accrued on the capital appreciation bonds, for a total carrying value of $5,136,720.

Annual requirements to amortize the debt on outstanding bonds as of December 31, 2016 are as follows:

	Governmental Funds						
	County Serial Bonds				TTASC Bonds		
Year	Principal	Interest	Interest Subsidy	Total	Principal	Interest	Total
2017	$ 1,450,000	$ 652,775	$ (168,684)	$ 1,934,091	$ 530,000	$ 437,750	$ 967,750
2018	1,495,000	610,986	(165,415)	1,940,571	685,000	407,375	1,092,375
2019	1,535,000	566,684	(158,029)	1,943,655	730,000	372,000	1,102,000
2020	1,570,000	520,101	(149,495)	1,940,606	780,000	334,250	1,114,250
2021	1,615,000	469,817	(140,300)	1,944,517	835,000	293,875	1,128,875
2022-2026	5,000,000	1,513,438	(530,742)	5,982,696	5,025,000	767,375	5,792,375
2027-2031	2,560,000	390,666	(159,139)	2,791,527	2,512,264	4,183,797	6,696,061
2032-2036					700,864	5,565,874	6,266,738
2037-2041					1,379,787	3,845,289	5,225,076
Totals	**$ 15,225,000**	**$ 4,724,467**	**$ (1,471,804)**	**$ 18,477,663**	**$ 13,177,915**	**$ 16,207,585**	**$ 29,385,500**

Interest expense on bonds for the year ending December 31, 2016 is as follows:

	County	TTASC	Total
Interest paid	$ 692,699	$ 554,581	$ 1,247,280
Less interest accrued in prior year	(213,330)		(213,330)
Add interest accrued in current year	195,346		195,346
Less prior year accreted interest		(2,449,622)	(2,449,622)
Add current year accreted interest		2,803,805	2,803,805
Total	**$ 674,715**	**$ 908,764**	**$ 1,583,479**

Note 9 **Long-term Debt - Continued**

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

Year		Principal
2017	$	93,463
2018		96,745
2019		95,035
2020		72,799
2021		60,213
Thereafter		521,962
Total	**$**	**940,217**

Interest expense was $15,767 for the year ended December 31, 2016.

Note 10 **Other Long-term Obligations**
In addition to the above long-term debt, the County had the following non-current liabilities:

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

- Self-Insurance Liabilities: As further explained in Note 13, the County is self-insured. Liabilities are established for workers' compensation and general claims in accordance with GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues." This liability is liquidated in the Internal Service Fund.

The following is a summary of changes other long-term obligations for the period ended December 31, 2016:

		Balance 12/31/2015		Additions		Deletions		Balance 12/31/2016		Amount Due Within One Year
Other Long-term Liabilities										
Compensated absences	$	978,715	$		$	(12,872)	$	965,843	$	965,843
Self-insurance liabilities		5,750,000						5,750,000		840,000
Total	**$**	**6,728,715**	**$**	**-**	**$**	**(12,872)**	**$**	**6,715,843**	**$**	**1,805,843**

Additions and deletions to compensated absences, and self-insurance liabilities are shown net, as it is impractical to determine these amounts separately.

Note 11 Interfund Receivables/Payables and Transfers

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

The Governmental Funds financial statements generally reflect such transactions as transfers whereas the Proprietary Funds record such transactions as non-operating revenues or expenses. Interfund receivables/payables and transfers at December 31, 2016 were as follows:

	Interfund Receivables	Interfund Payables	Transfers In	Transfers Out
General Fund	$ 1,455,924	$ 1,831,964	$ 741,950	$ 2,982,744
Capital Fund	129,500		100,498	646,973
Non-Major Funds	1,717,464	1,470,924	2,702,957	11,892
Internal Service Fund			179,289	83,085
Totals	**$ 3,302,888**	**$ 3,302,888**	**$ 3,724,694**	**$ 3,724,694**

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

Note 12 Fund Balances

Restricted Fund Balances

- State statutes require the County to reserve excess revenues over expenditures under the STOP DWI Program for use in the program in the following fiscal year. Excess STOP DWI funds restricted in the General Fund at December 31, 2016 totaled $104,760.

- The County Legislature requires the County to designate revenues from the forfeiture of criminal proceeds for the purpose of crime prevention. Unexpended criminal prevention revenue restricted in the General Fund at December 31, 2016 was $7,097.

Note 12 Fund Balances - Continued

Restricted Fund Balances - Continued

- The County Legislature permits collection of fees for hotel/motel usage. Unexpended hotel/motel usage revenue restricted in the General Fund at December 31, 2016 was $96,338.

- The County Legislature permits collection of fees from illegal handicapped parking. Unexpended handicapped parking revenue restricted in the General Fund at December 31, 2016 was $1,069.

- The County transferred interest earned on unspent bond proceeds into a reserve for the payments of debt service on the bonds. The balance in the reserve in the General Fund at December 31, 2016 was $191,194.

- The County Legislature adopted a resolution requiring the County to designate funds to be utilized for certain solid waste facility capital projects. The amount of unexpended solid waste facility revenue restricted in the Refuse and Garbage Fund at December 31, 2016 was $38,364.

- The County created various reserves in the Capital Fund. They consist of the following balances:

Software reserve	$	395,758
Hardware reserve		230
Public land, structure, and equipment		118,616
Financial management system		386,145
Total	**$**	**900,749**

Note 12 **Fund Balances - Continued**

Fund Balance Detail

At December 31, 2016, fund balance in the governmental funds was comprised of the following:

	General	Capital Fund	Non-Major
Nonspendable			
Prepaid expenses	$ 622,326	$	$ 2,301
Total Nonspendable Fund Balance	**$ 622,326**	**$ -**	**$ 2,301**
Restricted			
Miscellaneous reserves (See previous pages)	$ 400,458	$ 900,749	$ 38,364
Unspent debt proceeds		2,021,191	
TTASC liquidity reserve			775,882
Total Restricted Fund Balance	**$ 400,458**	**$ 2,921,940**	**$ 814,246**
Assigned			
Capital projects	$ 1,101,944	$ 1,825,020	$ 99,949
Encumbered for:			
General support	160,854	5,738	
Education	243,692		
Public safety	99,663	25,000	
Public health	221,006		
Economic assistance and opportunity	129,800		1,014
Home and community services	8,799		95,619
Transportation		28,950	34,594
Assigned for:			
Public safety	16,299		
Home and community services			564,508
Transportation			567,077
Debt payment			73,603
Capital projects		4,692,393	
Total Assigned Fund Balance	**$ 1,982,057**	**$ 6,577,101**	**$ 1,436,364**
Total Unassigned Fund Balance	**$ 21,616,972**	**$ -**	**$ (78,200)**
Total Fund Balances	**$ 24,621,813**	**$ 9,499,041**	**$ 2,174,711**

Note 12 **Fund Balances - Continued**

Reconciliation between Restricted Fund Balance and Restricted Net Position
Restricted fund balances and restricted net assets differ because unspent debt proceeds are reported as restricted fund balance in the fund financial statements and as a portion of net investment in capital assets in the Statement of Net Position.

Restricted fund balance in the fund financial statements	$	4,136,644
Less unspent debt proceeds		(2,021,191)
Restricted Net Position in the Government-wide Financial Statements	**$**	**2,115,453**

Note 13 **Risk Management**
The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and third parties; and natural disasters. The County utilizes three risk management funds (internal service funds) to account for and finance the County's insured and uninsured risks of loss.

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

The Self-Insurance Fund provides self-insurance coverage for all workers' compensation claims for employees of each participating municipality. The County and certain municipalities within the County participate in the program and make payments to the self-insurance fund based on three factors: total property tax assessed value, total payroll, and prior years' claims for each participant. The County is completely self-insured with regard to workers' compensation claims and is the administrator for this fund. Net deficit of this fund was $(2,557,383) at December 31, 2016, as the County has not fully funded incurred but not reported claims.

Note 13 **Risk Management - Continued**

The estimated accrued claims of $5,750,000 reported in the Internal Service Fund at December 31, 2016 are based upon the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Issues," which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the basic financial statements and the amount of the loss can be reasonably estimated. All liabilities are recorded at their estimated fair values as of December 31, 2016 including discounted long-life workers' compensation awards within the Workers' Compensation Fund. Changes in the funds' liabilities for the year ended December 31, 2016 were:

	Beginning of Year	Changes in Estimates	Claim Payments	End of Year
Workers' compensation	$ 5,750,000	$ -	$ -	$ 5,750,000

Note 14 **Transactions with Discretely Presented Component Units**

Tioga County Soil and Water Conservation District

The County provides support to the District through annual appropriations. In 2016, the County provided $189,234 to the District. In addition, the District office is on land owned by the County. A lease agreement has been put into place outlining the term and how the land may be used. The District is obligated to pay any and all expenses relative to the property as rent. Tioga County has the right to request a security deposit, but has not made that request. The current lease is for ten years ending December 31, 2016, with the option to renew for four additional ten year periods.

Note 15 **Summary of Significant Commitments and Contingencies**

State and Federally Assisted Programs

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

Note 15 **Summary of Significant Commitments and Contingencies - Continued**

Other Litigation
The County and/or its agencies are named in several minor lawsuits arising in the ordinary course of the County's operations. These claims and lawsuits, in the opinion of management, are either adequately covered by insurance or will not result in a material impact on the financial position of the County and therefore, are not reflected in the accompanying financial statements. In the past three years, no settlements exceeded insurance coverage.

Note 16 **Stewardship**

At December 31, 2016, the County Road Fund had a deficit unassigned fund balance of $(78,200). This deficit is not expected to be eliminated through the course of regular operations. This fund will need proceeds from the General Fund to offset this deficit.

At December 31, 2016, the County Road Fund had a negative cash balance of $(172,399) and the Self Insurance Fund had a negative cash balance of $(2,353). These negative cash balance are the result of pooled cash balances which are covered by the cash balances in the other funds.

At December 31, 2016, the Internal Service Fund had a deficit unrestricted net position of $(2,557,383). This deficit results from the actuarially determined claim liability for incurred but not reported claims. This deficit will be eliminated as claims are reported.

At December 31, 2016, the Government-wide Statement of Net Position had an unrestricted deficit net position of $(28,769,884). This is the result of the requirement to record other postemployment benefits liability with no requirement or mechanism to fund this liability. The deficit is not expected to be eliminated during the normal course of operation

Note 17 **Tax Abatements**

For the year ended December 31, 2016, the County was subject to tax abatements negotiated by the Tioga County Industrial Development Agency (TCIDA), a discretely presented component unit, as well as PILOTS negotiated by the Village of Waverly, the Village of Newark Valley, (the Villages) and the Town of Owego (the Town).

Note 17 **Tax Abatements - Continued**

Under TCIDA, companies from outside the County can apply for sales tax exemptions under eligible spending related to relocating to the County. Companies accepted into the program document the sales tax paid on eligible spending and receive a rebate up to a maximum of 100%. Through this program, companies promise to expand or maintain facilities or employment in the County, to establish new business in the County, or to relocate an existing business to the County. Economic development agreements entered into by TCIDA can include the abatement of county, local, and school district taxes. In this case, negotiated abatements have resulted in reductions of property taxes, which TCIDA administers as a temporary reduction in the assessed value of the property involved. The abatement agreements stipulate a percentage reduction of property taxes, which can be as much as 100%.

Information relevant to disclosure of the program for the year ended December 31, 2016 is as follows:

Tax Abatement Program		Amount of Taxes
Economic development	$	984,429
Total	**$**	**984,429**

The Town and the Villages entered into a property tax abatement agreement with a local business under Chapter 535 of the 1971 Laws of New York State for the purpose of encouraging economic growth. Under the Act, localities may grant property tax abatements of up to 100% of a business' property tax bill for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the Town or Villages. Under this program, the Town and Villages negotiated tax agreements with tax exempt agencies as follows:

Tax Abatement Program		Amount of Taxes
Economic development	$	15,891
Total	**$**	**15,891**

COUNTY OF TIOGA

BUDGETARY COMPARISON SCHEDULE (NON-GAAP)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Actual	Encumbrances	Variance Favorable-(Unfavorable)
REVENUES					
Real property taxes	$ 22,161,628	$ 22,161,628	$ 22,440,790	$	$ 279,162
Real property tax items	2,384,176	2,384,176	2,741,232		357,056
Nonproperty tax items	18,780,885	18,780,885	19,354,376		573,491
Departmental income	5,160,965	5,179,525	4,796,657		(382,868)
Intergovernmental charges	451,000	470,950	311,532		(159,418)
Use of money and property	73,500	73,500	100,796		27,296
Licenses and permits	48,500	48,500	74,370		25,870
Fines and forfeitures	109,000	109,000	84,433		(24,567)
Sale of property and compensation for loss	25,000	25,000	25,000		-
Miscellaneous local sources	306,205	311,928	331,765		19,837
State sources	9,818,531	10,629,651	9,781,598		(848,053)
Federal sources	7,143,941	7,652,790	6,848,125		(804,665)
Total Revenues	66,463,331	67,827,533	66,890,674	-	(936,859)
EXPENDITURES					
General governmental support	11,137,994	11,044,779	10,348,399	160,854	535,526
Education	4,467,115	4,875,708	4,468,732	243,692	163,284
Public safety	9,094,955	9,769,533	8,299,810	99,663	1,370,060
Health	5,302,761	5,531,573	4,652,355	221,006	658,212
Transportation		501,032	190,734		310,298
Economic assistance and opportunity	19,935,691	20,105,873	18,957,933	129,800	1,018,140
Culture and recreation	345,135	348,461	346,422		2,039
Home and community services	632,414	642,414	628,662	8,799	4,953
Employee benefits	12,244,497	12,426,524	11,576,056		850,468
Debt service (principal and interest)	2,107,700	2,107,700	2,107,699		1
Total Expenditures	65,268,262	67,353,597	61,576,802	863,814	4,912,981
Excess of Revenues	1,195,069	473,936	5,313,872	(863,814)	3,976,122
OTHER FINANCING (USES)					
Interfund transfers in			741,950		741,950
Interfund transfers (out)	(2,952,613)	(3,173,703)	(2,982,744)		190,959
Total Other Financing (Uses)	(2,952,613)	(3,173,703)	(2,240,794)	-	932,909
Excess of (Expenditures) and Other Financing (Uses)	(1,757,544)	(2,699,767)	3,073,078	**$ (863,814)**	**$ 4,909,031**
Appropriated Fund Balance	1,757,544	2,699,767			
Net Increase	**$ -**	**$ -**	3,073,078		
Fund Balance, Beginning			21,548,735		
Fund Balance, Ending			**$ 24,621,813**		

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

SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED DECEMBER 31, 2016

Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2016	1/1/2015	$ -	$ 96,609,916	$ 96,609,916	0%	$ 16,962,212	570%
2015	1/1/2015	-	91,700,522	91,700,522	0%	17,205,908	533%
2014	1/1/2013	-	84,685,800	84,685,800	0%	16,715,820	507%
2013	1/1/2013	-	79,853,675	79,853,675	0%	17,305,396	461%
2012	1/1/2011	-	116,812,711	116,812,711	0%	17,869,551	654%
2011	1/1/2011	-	109,663,719	109,663,719	0%	16,982,572	646%
2010	1/1/2009	-	83,868,078	83,868,078	0%	17,340,899	484%
2009	1/1/2009	-	79,576,846	79,576,846	0%	17,348,091	459%

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

COUNTY OF TIOGA

SCHEDULE OF COUNTY'S CONTRIBUTIONS
NYSLRS PENSION PLAN
FOR THE LAST 10 FISCAL YEARS

	2016	2015	2014
County			
Contractually required contribution	$ 2,528,606	$ 2,962,866	$ 3,421,461
Contributions in relation to the contractually required contribution	(2,528,606)	(2,962,866)	(3,421,461)
Contribution deficiency (excess)	-	-	-
County's covered - employee payroll	15,510,547	16,105,106	16,981,046
Contributions as a percentage of covered - employee payroll	16.30%	18.40%	20.15%
Soil and Water Conservation District			
Contractually required contribution	$ 69,896	$ 76,553	$ 30,261
Contributions in relation to the contractually required contribution	(69,896)	(76,553)	(30,261)
Contribution deficiency (excess)	-	-	-
County's covered - employee payroll	502,000	391,000	*
Contributions as a percentage of covered - employee payroll	13.92%	19.58%	*

** Information currently unavailable will be presented as it is made available in future years*

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

	2013	2012	2011	2010	2009	2008	2007
	$ 3,082,607	$ 2,711,827	$ 1,997,539	$ *	$ *	$ *	$ *
	(3,082,607)	(2,711,827)	(1,997,539)	*	*	*	*
	-	-	-	*	*	*	*
	17,191,830	17,136,696	17,060,889	*	*	*	*
	17.93%	15.82%	11.71%	*	*	*	*
	$ *	$ *	$ *	$ *	$ *	$ *	$ *
	*	*	*	*	*	*	*
	*	*	*	*	*	*	*
	*	*	*	*	*	*	*
	*	*	*	*	*	*	*

COUNTY OF TIOGA

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

	2016	2015
County		
Proportion of the net pension liability	0.0736024%	0.0763016%
Proportionate share of the net pension liability	$ 11,813,394	$ 2,577,656
Covered-employee payroll during the measurement period	15,319,512	16,366,971
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	77.11%	15.75%
Plan fiduciary net position as a percentage of the total pension liability	90.7%	97.9%
Soil and Water Conservation District		
Proportion of the net pension liability	0.0021080%	0.0017993%
Proportionate share of the net pension liability	338,335	60,786
Covered-employee payroll during the measurement period	502,000	391,000
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	67.40%	15.55%
Plan fiduciary net position as a percentage of the total pension liability	90.7%	97.9%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 1 **Budget Policies**

Budget policies are as follows:

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

2. After public hearings are conducted to obtain taxpayer comments, no later than December 20, the governing board adopts the budget.

3. All modifications of the budget must be approved by the County Legislature. During 2016, the budget was modified for unanticipated grants and revenues, use of reserve funds and carryover encumbrances.

4. Appropriations are adopted at the functional level by department.

5. Budgetary controls are established for the Capital Projects Fund through resolutions authorizing individual projects, which remain in effect for the life of the project.

6. An annual legal budget is not adopted for the TTASC, which is a debt service fund. Budgetary controls for the TTASC and Special Grant Fun are established in accordance with the applicable debt service schedules and grant agreements.

7. Appropriations lapse at year end.

Encumbrances

Encumbrances are recorded to reserve a portion of fund balance for outstanding commitments to be financed from current appropriations. Encumbrance accounting, under which contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in the General and Special Revenue Funds. Encumbrances are reported as assignments of fund balances, as they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred.

Note 1 **Budgetary Policies - Continued**

Budget Basis of Accounting

Budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America for the General, County Road, and Road Machinery Funds. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year. Encumbrances are not considered disbursements in the financial plan or expenditures in GAAP based financial statements. Encumbrances reserve a portion of the applicable appropriation for purchase orders, contracts, and other commitments not expended at year end, thereby ensuring that appropriations are not exceeded. The accompanying Budgetary Comparison Schedule for the budgeted major Governmental Fund, the General Fund, presents comparisons of the legally adopted budget with actual data.

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, 2016.

Note 3 **Schedule of Funding Progress**

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

Note 4 **Schedule of County's Proportionate Share of the Net Pension Liability**

The Schedule of the County's Proportionate Share of the Net Pension Liability, presented as required supplementary information, presents two years of information. This schedule will present ten years of information as it becomes available from the pension plan.

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

NYSLRS

Changes in Benefit Terms

There were no significant legislative changes in benefits.

Changes of Assumptions

There was a change in assumption for the pensioner mortality improvement in the April 1, 2014 actuarial valuation from the Society of Actuaries' Scale AA to Scale MP - 2014.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The April 1, 2014 actuarial valuation determines the employer rates for contributions payable in fiscal year 2016. The following actuarial methods and assumptions were used:

Actuarial cost method	The System is funded using the Aggregate Cost Method. All unfunded actuarial liabilities are evenly amortized (as a percentage of projected pay) over the remaining worker lifetimes of the valuation cohort.
Asset valuation period	5 year level smoothing of the difference between the actual gain and the expected gain using the assumed investment rate of return.
Inflation	2.7%
Salary scale	4.9% in ERS, indexed by service.
Investment rate of return	7.5% compounded annually, net of investment expenses, including inflation.
Cost of living adjustments	1.4% annually

COUNTY OF TIOGA

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	Special Revenue Funds			
ASSETS	**Special Grant Fund**	**Refuse and Garbage Fund**	**County Road Fund**	**Road Machinery Fund**
Cash and cash equivalents - Unrestricted	$ 501,120	$ 128,220	$	$ 341,206
Cash and cash equivalents - Restricted		38,364		
Due from other funds			1,435,688	281,776
Due from state and federal governments	27,632	11,938		
Other receivables, net		11,800		3,308
Prepaid expenses				
Loans receivable	225,086			
Total Assets	**$ 753,838**	**$ 190,322**	**$ 1,435,688**	**$ 626,290**
LIABILITIES				
Accounts payable	$ 1,715	$ 3,050	$ 5,239	$ 6,359
Accrued liabilities	2,612	1,007	189,047	3,260
Due to other funds	136,322		1,319,602	15,000
Total Liabilities	140,649	4,057	1,513,888	24,619
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue				
FUND BALANCES				
Nonspendable				
Restricted		38,364		
Assigned	613,189	147,901		601,671
Unassigned			(78,200)	
Total Fund Balances	613,189	186,265	(78,200)	601,671
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 753,838**	**$ 190,322**	**$ 1,435,688**	**$ 626,290**

See Independent Auditor's Report

Debt Service Fund (TTASC)	Total Non-Major Government Funds
$ 73,603	$ 1,044,149
775,882	814,246
	1,717,464
	39,570
605,619	620,727
2,301	2,301
	225,086
$ 1,457,405	**$ 4,463,543**
$	$ 16,363
	195,926
	1,470,924
-	1,683,213
605,619	605,619
2,301	2,301
775,882	814,246
73,603	1,436,364
	(78,200)
851,786	2,174,711
$ 1,457,405	**$ 4,463,543**

COUNTY OF TIOGA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NON-MAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2016

	Special Revenue Funds			
	Special Grant Fund	Refuse and Garbage Fund	County Road Fund	Road Machinery Fund
REVENUES				
Real property taxes	$	$ 1,023,622	$	$
Real property tax items		58,943		
Departmental income		21,890	315	
Use of money and property	9,184	902	394	156
Sale of property and compensation for loss				780
Miscellaneous local sources			7,027	
Tobacco settlement				
State sources	79,575	52,803	33,695	
Federal sources	262,061		179,705	
Total Revenues	350,820	1,158,160	221,136	936
EXPENDITURES				
General governmental support				
Transportation			1,603,689	439,910
Economic assistance and opportunity	165,069			
Home and community services	79,575	1,265,144		
Employee benefits	143,613	28,096	732,386	117,555
Debt service (principal and interest)				
Total Expenditures	388,257	1,293,240	2,336,075	557,465
Excess of (Expenditures) Revenues	(37,437)	(135,080)	(2,114,939)	(556,529)
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	57,815	2,471	1,805,245	837,426
Interfund transfers (out)	(11,892)			
Total Other Financing Sources (Uses)	45,923	2,471	1,805,245	837,426
Excess of Revenues (Expenditures) and Other Financing Sources (Uses)	8,486	(132,609)	(309,694)	280,897
Fund Balances, Beginning	604,703	318,874	231,494	320,774
Fund Balances, Ending	**$ 613,189**	**$ 186,265**	**$ (78,200)**	**$ 601,671**

See Independent Auditor's Report

Debt Service Fund (TTASC)	Total Non-Major Governmental Funds
$	$ 1,023,622
	58,943
	22,205
2,320	12,956
	780
	7,027
1,371,514	1,371,514
	166,073
	441,766
1,373,834	3,104,886
45,426	45,426
	2,043,599
	165,069
	1,344,719
	1,021,650
1,309,581	1,309,581
1,355,007	5,930,044
18,827	(2,825,158)
	2,702,957
	(11,892)
-	2,691,065
18,827	(134,093)
832,959	2,308,804
$ 851,786	**$ 2,174,711**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Tioga (the County) as of and for the year ended December 31, 2016 and the related notes to the financial statements, which together with the aggregate discretely presented component units, collectively comprise the County's basic financial statements, and have issued our report thereon dated February 19, 2018. Our report includes a reference to other auditors who audited the financial statements of the Tioga County Soil and Water Conservation District and the Tioga County Industrial Development Agency, as described in our report on the County of Tioga's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Reference No. 2006-002 and 2015-001 that we consider to be significant deficiencies.

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

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

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

Respectfully Submitted,

Insero & Co. CPAs, LLP

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
February 19, 2018

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

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

Report on Compliance for Each Major Federal Program

We have audited the County of Tioga's (the County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2016. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2, U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Other Matters

The results of our audit procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001. Our opinion on each major federal program is not modified with respect to this matter.

The County's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

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

Respectfully Submitted,

Insero & Co. CPAs, LLP

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
February 19, 2018

COUNTY OF TIOGA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal Catalog #	Pass-Through Grantor #	Passed Through to Subrecipients	Expenditures
U.S. Department of Agriculture				
Passed Through NYS Department of Family Services:				
SNAP Cluster:				
State Administrative Grants for the Supplemental Nutrition Assistance Program	10.561	(1)	$	$ 805,950
Total SNAP Cluster				805,950
Total U.S. Department of Agriculture				805,950
U.S. Department of Labor				
Passed Through State Department of Labor:				
Workforce Inovation and Opportunity Act Cluster:				
Workforce Inovation and Opportunity Act - Adult Program	17.258	(1)		91,087
Workforce Inovation and Opportunity Act - Youth Activities	17.259	(1)		39,100
Workforce Inovation and Opportunity Act - Dislocated Workers	17.278	(1)		130,225
Total Workforce Inovation and Opportunity Act Cluster				260,412
Total U.S. Department of Labor				260,412
U.S. Department of Transportation				
Passed Through State Department of Transportation:				
Federal Transit Cluster:				
Federal Transit Capital Investment Grants	20.500	(1)		121,368
Total Federal Transit Cluster				121,368
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	(1)		176,871
Total Highway Planning and Construction Cluster				176,871
Total U.S. Department of Transportation				298,239
U.S. Department of Education				
Passed Through NYS Department of Health:				
Special Education - Grants for Infants and Toddlers	84.181(A)	(1)		15,790
Total U.S. Department of Education				15,790
U.S. Election Assistance Commission				
Passed Through NYS Office of General Services:				
Help America Vote Act Requirements Payments	90.401	(1)		744
Total U.S. Election Assistance Commission				744
Subtotal Expenditures of Federal Awards				1,381,135

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

COUNTY OF TIOGA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal Catalog #	Pass-Through Grantor #	Passed Through to Subrecipients	Expenditures
Subtotal Expenditures of Federal Awards Carried Forward				$ 1,381,135
U.S. Department of Health and Human Services				
Passed Through Health Research, Inc.:				
Public Health Preparedness and Response to Bioterrorism	93.074	1623-10		40,008
Public Health Preparedness and Response to Bioterrorism	93.074	4986-01		4,808
Passed Through NYS Department of Family Services:				
TANF Cluster:				
Temporary Assistance for Needy Families (TANF)	93.558	(1)		3,674,469
Total TANF Cluster				3,674,469
Child Support Enforcement	93.563	(1)		369,678
Low-Income Home Energy Assistance	93.568	(1)		2,043,892
Child Care and Development Fund Cluster:				
Child Care and Development Block Grant	93.575	(1)		1,353,010
Total Child Care and Development Fund Cluster				1,353,010
Foster Care-Title IV-E	93.658	(1)		558,074
Adoption Assistance	93.659	(1)		201,745
Social Services Block Grant	93.667	(1)		342,604
Chafee Foster Care Independence Program	93.674	(1)		13,003
Medicaid Cluster:				
Medical Assistance Program	93.778	(1)		544,322
Total Medicaid Cluster				544,322
Passed Through NYS Division of Alcohol and Substance Abuse:				
Block Grant for the Prevention and Treatment of Substance Abuse	93.959	(1)		104,168
Passed Through the NYS Office of Mental Health:				
Maternal and Child Health Services Block Grant to the States	93.994	(1)		55,884
Immunization Cooperative Agreements	93.268	(1)		27,595
Total U.S. Department of Health and Human Services				9,333,260
U.S. Department of Homeland Security				
Passed Through State Division of Homeland Security and Emergency Services:				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(1)		388,317
Homeland Security Grant Program	97.067	(1)		41,202
Total U.S. Department of Homeland Security				429,519
Total Expenditures of Federal Awards				$ **11,143,914**

(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, 2016

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 Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 **Basis of Accounting**

The amounts reported as Federal expenditures generally were obtained from the appropriate Federal financial reports for the applicable program and periods. The amounts reported in the Federal financial reports are prepared from records maintained for each program. These records are periodically reconciled to the general ledger which is the source of the basic financial statements.

Note 3 **Indirect Costs**

Indirect costs are included in the reported expenditures to the extent they are included in the Federal financial reports used as the source for the data presented. The County has not elected to use the 10% deminimus cost rate.

Note 4 **Matching Costs**

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

Note 5 **Pass-Through Programs**

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

COUNTY OF TIOGA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued — Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ____ yes __X__ no

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

Noncompliance material to financial statements noted? ____ yes __X__ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ____ yes __X__ no

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

Type of auditor's report issued on compliance for major programs — Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? __X__ yes ____ no

Identification of major programs:

CFDA Numbers:	Name of Federal Program or Cluster:
93.558	Temporary Assistance for Needy Families (TANF)
93.563	Child Support Enforcement
93.658	Foster Care-Title IV-E

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

Auditee qualified as low-risk auditee ____ yes __X__ no

Section II - Financial Statement Findings

Reference No. 2006-002

Condition:
Reconciliations of the County's bank accounts at December 31, 2016 and 2015 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 timely. Also, it is generally simpler and less time-consuming to reconcile accounts while transactions are fresh in mind.

Cause/Effect:
Via inquiry of County personnel, we discovered the computer system could not provide the necessary information 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.

Reference No. 2015-001

Condition:
The 2016 and 2015 financial statements were not completed and filed on a timely basis.

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

Cause/Effect:
The County did not timely file audited financial statements.

Recommendation:
We recommend the County complete and file its financial statements within nine months of its year-end.

COUNTY OF TIOGA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
DECEMBER 31, 2016

Section III - Federal Award Findings

Reference No. 2016-001

Condition:
The 2016 and 2015 Single Audit Reporting package was not completed and submitted to OMB and the Federal Audit Clearinghouse in a timely manner.

Criteria:
The audit package and the data collection form shall be submitted 30 days after receipt of the auditor's report, or 9 months after the end of the fiscal year - whichever comes first.

Cause/Effect:
The County did not timely file the Single Audit Reporting package.

Recommendation:
We recommend the County complete and file Single Audit Reporting package within nine months of its year-end or within 30 days after receipt of the auditor’s report - whichever comes first.