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**Ciaschi • Dietershagen • Little • Mickelson  
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*Certified Public Accountants and Consultants*

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Frederick J. Ciaschi, C.P.A.

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Tioga for the year ended December 31, 2007, and have issued our report thereon dated November 18, 2008. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under U.S Generally Accepted Auditing Standards and OMB Circular A-133**

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the County of Tioga's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County of Tioga's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the County of Tioga's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the County of Tioga's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the County of Tioga's compliance with those requirements.

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## **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planned matters.

## **Qualitative Aspects of Accounting Practices**

### **Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County of Tioga are described in Note 1 to the basic financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transactions entered into by the County of Tioga during the year that were both significant and unusual, and of which, under professional standards we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

### **Accounting Estimates**

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were self-insurance liabilities and accumulated depreciation.

Management's estimates of self-insurance liabilities and accumulated depreciation are based on various assumptions. We evaluated the key factors and assumptions used to develop the self-insurance liabilities and accumulated depreciation estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

### **Disclosures**

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures concern capital assets, debt, and the restatement of beginning fund balance/net assets, the details of which are presented in Notes 2.A.7, 2.B.2 and 5 of the financial statements.

## **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

## **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The audit adjustments referred to are enumerated below:

General Fund	Asset	Liability	Fund Balance
Prepaid expense - ERS	\$ 401,913	\$ 401,913	\$ -0-
Other revenue	307,953		307,953
Restatement	(4,082,353)		(4,082,353)
			(3,774,400)
<u>Capital Fund</u>			
Record prior year audit adjustment			442,208
Record grant receivable	1,098,771		1,098,771
Reverse expenditures for items not ordered	65,960		65,960
Record accounts payable		61,759	(61,759)
			1,545,180
<u>Workers' Compensation Fund</u>			
Record participant assessments	517,626		517,626

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report.

We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated November 18, 2008.

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County of Tioga's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

To our knowledge, there were no such consultations with other accountants.

### **Other Audit Matters or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County of Tioga's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We would like to thank you and your staff for the cooperation and support given to us during the course of the audit. We appreciate the opportunity to be of service to you and look forward to our continued involvement.

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

*Cinchi, DiStefano, Little, Mickelson & Co., LLP*

November 18, 2008  
Ithaca, New York

**COUNTY OF TIOGA**

**Owego, New York**

**New York State Department of Transportation  
State Single Audit**

**December 31, 2007**

COUNTY OF TIOGA  
NEW YORK STATE DEPARTMENT OF TRANSPORTATION  
STATE SINGLE AUDIT  
DECEMBER 31, 2007

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Frederick J. Ciaschi, C.P.A.

**REPORT ON COMPLIANCE AND CONTROLS OVER  
STATE TRANSPORTATION ASSISTANCE EXPENDED  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**INDEPENDENT AUDITOR'S REPORT**

County Legislature  
County of Tioga  
Owego, New York

**Compliance**

We have audited the compliance of the County of Tioga with the types of compliance requirements described in the preliminary Draft Part 43 of the New York State Codification of Rules and Regulations (NYCRR) that are applicable to each state transportation assistance program tested for the year ended December 31, 2007. The programs tested are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each program tested is the responsibility of the County of Tioga's management. Our responsibility is to express an opinion on the County of Tioga's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Draft Part 43 of NYCRR. Those standards and Draft Part 43 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above, that could have a direct and material effect on the state transportation assistance programs tested, has occurred. An audit includes examining, on a test basis, evidence about the County of Tioga's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County of Tioga's compliance with those requirements.

In our opinion, the County of Tioga complied, in all material respects, with the requirements referred to above that are applicable to each of its state transportation assistance programs tested for the year ended December 31, 2007.

**Internal Control Over Compliance**

The management of the County of Tioga is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state transportation assistance programs tested. In planning and performing our audit, we considered the County of Tioga's internal control over compliance with requirements that could have a direct and material effect on the state transportation assistance programs tested in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on the internal control over compliance in accordance with Draft Part 43 of NYCRR.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts, and grants, that would be material in relation to state transportation assistance programs tested, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of State Transportation Assistance Expended

We have audited the financial statements of the County of Tioga as of December 31, 2007 and for the year ended December 31, 2007, and have issued our report thereon dated October 30, 2008. Our audit was performed for the purpose of forming an opinion on the County of Tioga's financial statements taken as a whole. The accompanying schedule of state transportation assistance expended is presented for purposes of additional analysis as required by Draft Part 43 of NYCRR, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the County of Tioga's management and the New York State Department of Transportation. However, this report is a matter of public record and its distribution is not limited.

*Cinchi, Dittubagno, Little, Mickelson & Co., LLP*

October 30, 2008  
Ithaca, New York



COUNTY OF TIOGA  
 SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED  
FOR THE YEAR ENDED DECEMBER 31, 2007

<u>Program Title</u>	<u>NYS DOT Contract</u>	<u>Ref. Number</u>	<u>Expenditures</u>
Consolidated Local Streets and Highway Improvement Program (CHIPS) - Capital Component	(1)	(1)	\$ 903,595
Marchiselli Aid	D030053	PIN # 6753.22	173,490
State Transit Operating Assistance		(1)	<u>475,236</u>
Total State Transportation Assistance Expended			<u>\$ 1,552,321</u>

(1) Denotes unable to obtain

COUNTY OF TIOGA  
NOTES TO SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED  
DECEMBER 31, 2007

Note 1 - General

The accompanying Schedule of State Transportation Assistance Expended of the County of Tioga presents the activity of all financial assistance programs provided by the New York State Department of Transportation.

Note 2 - Basis of Accounting

The accompanying Schedule of State Transportation Expended is presented using the accrual basis of accounting.

Note 3 - Matching Cost

The costs associated with the federal and local shares of the Marchiselli projects are not included in the reported expenditures.

COUNTY OF TIOGA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR  
STATE TRANSPORTATION ASSISTANCE EXPENDED  
DECEMBER 31, 2007

Summary of Audit Results:

Internal control over state transportation assistance expended:

- Material weakness(es) identified None
- Reportable condition(s) identified that are not considered to be material weakness(es) None

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

Summary of Audit Findings:

Identification of State Transportation Assistance Programs Tested:  
CHIPS

Compliance Findings and Questioned Costs: None

Summary Schedule of Prior Audit Findings: None

**COUNTY OF TIOGA**

**Owego, New York**

**FINANCIAL REPORT**

**December 31, 2007**

COUNTY OF TIOGA  
FOR THE YEAR ENDED DECEMBER 31, 2007

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Frederick J. Ciaschi, C.P.A.

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Tioga, as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents.

We did not audit the financial statements of the Tioga Tobacco Asset Securitization Corporation, the Tioga County Soil and Water Conservation District or the Tioga County Industrial Development Agency. The Tioga Tobacco Asset Securitization Corporation represents 2.0% and 1.1% respectively, of the assets and revenues of the Governmental Activities. The Tioga County Soil and Water Conservation District and the County of Tioga Industrial Development Agency represent 92.4% and 7.6%, and 69.6% and 30.4%, respectively, of the assets and revenues of the component units. The financial statements of the Tioga Tobacco Asset Securitization Corporation, the Tioga County Soil and Water Conservation District and the Tioga County Industrial Development Agency were audited by other auditors whose reports, issued in accordance with auditing standards generally accepted in the United States of America, have been furnished to us. Our opinions, insofar as they relate to the amounts included in the Tioga Tobacco Asset Securitization Corporation, the Tioga County Soil and Water Conservation District and the Tioga County Industrial Development Agency, are based on the reports of the other auditors. The financial statements are the responsibility of the County of Tioga's management. Our responsibility is to express opinions on these financial statements based on our audit. The basic financial statements of the County of Tioga, as of December 31, 2006, were audited by other auditors, whose report dated November 15, 2007 expressed an unqualified opinion.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Tioga as of December 31, 2007, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2008 on our consideration of the County of Tioga's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedule on pages 2-2i and 33, respectively are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Tioga's basic financial statements. The supplementary information on pages 35 through 36a is presented for purposes of additional analysis and is not a required part of the basic financial statements of the County of Tioga. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the County of Tioga. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

November 18, 2008  
Ithaca, New York

COUNTY OF TIOGA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007

Our discussion and analysis of the County of Tioga's financial performance provides an overview of the County's financial activities for the fiscal year ended December 31, 2007. Please read this information in conjunction with the County's financial statements, which begin on page 3.

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$53,416,985 (net assets) compared to \$49,048,778 in 2006. Of this amount, \$15,143,057 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of December 31, 2007, the County's Governmental Funds reported combined fund balances of \$18,488,423. Approximately 86.5% of the combined fund balances, or \$15,986,409, is available to meet the County's current and future needs (unreserved fund balance).
- The General Fund ended the year with a fund balance of \$10,390,965. Of this, \$905,763 is in reserved fund balance, and \$4,000,000 is designated for the subsequent year's expenditures.

#### **USING THIS ANNUAL REPORT**

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

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

#### **Reporting the County as a Whole**

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



COUNTY OF TIOGA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007

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

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

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

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

## Reporting the County's Most Significant Funds

### Fund Financial Statements

Analysis of the County's Major Funds begins on page 5. The 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 statements) and *Governmental Funds* is explained in a reconciliation following the fund financial statements.

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

COUNTY OF TIOGA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007

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

**THE COUNTY AS A WHOLE**

The County's net assets for fiscal year ended December 31, 2007 increased \$4,368,207, from \$49,048,778 to \$53,416,985. In contrast, last year net assets increased by \$5,194,583.

The largest portion of the County's net assets of \$36,648,115 (68.6%) reflects its investment in capital assets (e.g. land, buildings, machinery & equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided by other sources, as the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the County's net assets of \$1,625,813 (3.0%) represents resources that are subject to external restrictions on how they may be used and are reported as restricted net assets. These net assets consist of \$775,969 for debt service payments, \$756,443 for community development, and \$93,401 for grants from State and Federal agencies.

The remaining category of total net assets, unrestricted net assets of \$15,143,057 (28.4%) may be used to meet the government's ongoing obligations and services to creditors and citizens.

Our analysis below focuses on the net assets (Figure 1), and changes in net assets (Figure 2), of the County's Governmental Activities. See Note 5 to the financial statements for details of the restatement of 2006 net assets.

**Figure 1 - Net Assets**

	<i>Governmental Activities</i>		<i>Percent Change</i>
	<i>2006 Restated</i>	<i>2007</i>	<i>2006 - 2007</i>
<i>Current assets</i>	\$ 31,765,001	\$ 33,151,745	4.4%
<i>Capital assets, net</i>	51,185,937	53,985,407	5.5%
<i>Other noncurrent assets</i>	1,461,342	1,409,281	-3.6%
<b><i>Total Assets</i></b>	<b>84,412,280</b>	<b>88,546,433</b>	<b>4.9%</b>
<i>Current liabilities</i>	10,995,587	11,279,129	2.6%
<i>Noncurrent liabilities</i>	24,367,915	23,850,319	-2.1%
<b><i>Total Liabilities</i></b>	<b>35,363,502</b>	<b>35,129,448</b>	<b>-0.7%</b>
<i>Invested in capital assets, net of debt</i>	35,193,076	36,648,115	4.1%
<i>Restricted net assets</i>	1,709,427	1,625,813	-4.9%
<i>Unrestricted net assets</i>	12,146,275	15,143,057	24.7%
<b><i>Total Net Assets</i></b>	<b>\$ 49,048,778</b>	<b>\$ 53,416,985</b>	<b>8.9%</b>

Current assets showed an increase of \$1,386,744, primarily due to Transportation and Department of Social Services receivables, which included claims for maintenance in lieu of rent related to the department's new facilities. Capital assets, net of accumulated depreciation of \$53,985,407 at December 31, 2007 increased by \$2,799,470, primarily a result of transportation projects. The detail of capital assets, including the current year activity, is disclosed in the notes to the financial statements.

COUNTY OF TIOGA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007

The increase in current liabilities is primarily due to the timing of payments to other governments, while the change in noncurrent liabilities reflects the payment of debt offset by the increase in accreted interest on the TTASC capital appreciation bonds and self insurance liabilities.

The change in the amount invested in capital assets, net of related debt, is due to the change in capital assets, and debt associated with capital assets, offset by the change in unspent bond proceeds. The result of the County's current year activity increased unrestricted net assets by \$2,996,782.

The County's total revenues decreased by 2.0%, while the total cost of all programs and services decreased 1.0%, with no new programs added this year. Our analysis in Figure 2 considers the operations of Governmental Activities.

**Figure 2 - Changes in Net Assets**

	<i>Governmental Activities</i>		<i>Percent Change</i>
	<i>2006</i>	<i>2007</i>	<i>2006 - 2007</i>
<b>REVENUES</b>			
<i>Program Revenues:</i>			
<i>Charges for services</i>	\$ 12,142,834	\$ 10,791,562	-11.1%
<i>Operating grants and contributions</i>	18,633,851	18,560,993	-0.4%
<i>Capital grants and contributions</i>	2,624,136	2,183,567	-16.8%
<i>General Revenues:</i>			
<i>Property taxes and tax items</i>	18,995,912	20,151,565	6.1%
<i>Sales and other taxes</i>	19,108,261	18,035,271	-5.6%
<i>Tobacco settlement</i>	775,806	796,652	2.7%
<i>Use of money and property</i>	1,222,435	1,301,899	6.5%
<i>Other</i>	983,292	1,150,232	17.0%
<b>Total Revenues</b>	<b>\$ 74,486,527</b>	<b>\$ 72,971,741</b>	<b>-2.0%</b>
<b>PROGRAM EXPENSES</b>			
<i>General government</i>	15,042,009	15,682,639	4.3%
<i>Education</i>	4,240,229	4,223,240	-0.4%
<i>Public safety</i>	9,320,332	8,821,114	-5.4%
<i>Public health</i>	9,064,140	8,830,867	-2.6%
<i>Transportation</i>	5,521,283	5,401,028	-2.2%
<i>Economic assistance and opportunity</i>	23,102,902	22,174,490	-4.0%
<i>Culture and recreation</i>	191,904	216,440	12.8%
<i>Home and community</i>	1,823,416	1,998,469	9.6%
<i>Interest on debt</i>	985,729	1,255,247	27.3%
<b>Total Expenses</b>	<b>\$ 69,291,944</b>	<b>\$ 68,603,534</b>	<b>-1.0%</b>
<b>INCREASE IN NET ASSETS</b>	<b>\$ 5,194,583</b>	<b>\$ 4,368,207</b>	<b>-15.9%</b>

COUNTY OF TIOGA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007

**Governmental Activities**

***Revenues***

- Charges for services decreased primarily in three areas. Home nursing fees represented a decrease in Public Health of \$.5 million. Under General Government, self insurance fees were down approximately \$.5 million due to a reallocation of assessments internal to the County. Public Safety charges for services experienced a decline of approximately \$.4 million due to lower revenue from housing out of county inmates.
- Operating grants were relatively stable during 2007. During the year, New York State changed the process for reimbursing heating assistance payments, whereby payments are reimbursed directly by the State and no longer paid by the County. This caused reductions in revenue and expenses associated with this grant, which is accounted for under economic assistance. This reduction was offset by one time claims associated with a new Department of Social Services facility.
- Capital grants were lower due to the completion of the courthouse project, offset by an increase in transportation project funding.
- Property tax and tax items increased approximately \$1.2 million, or 6.1%, as budgeted.
- The majority of nonproperty tax items is comprised of sales and use taxes, which showed a decline due to a weaker economy in 2007.
- The increase in use of money and property revenues, most of which are interest earnings, reflect higher interest rates in 2007.
- Miscellaneous revenue increased due to a new revenue source, video lottery terminal aid, in the amount of \$372,719.

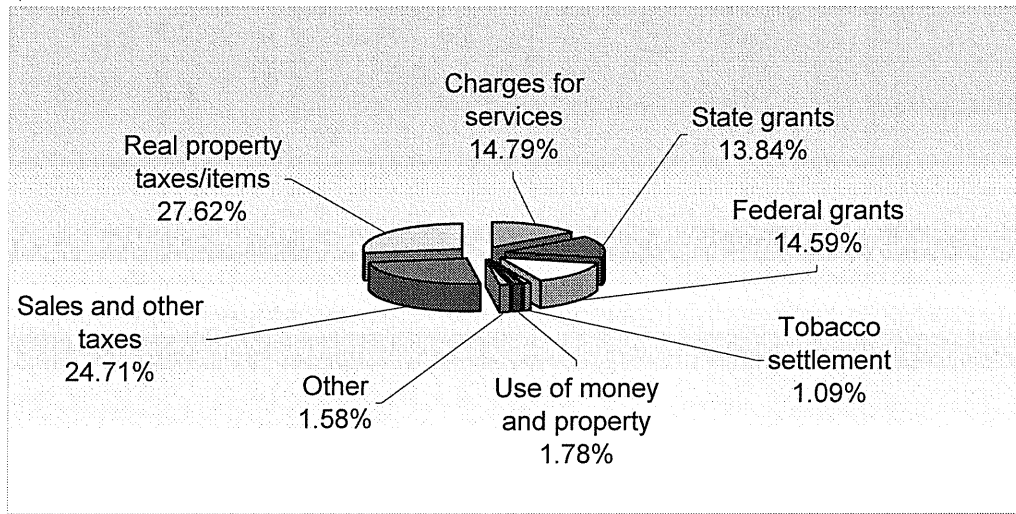
***Expenses***

- General government expenses increased by approximately \$.6 million primarily due to costs to repair flood related damages and increased contractual expenses. Included in general government expenses are payments to other municipalities of \$4,552,558 in 2007 and \$4,707,151 in 2006 for sales tax revenue shared by the County. It should be noted that revenue associated with these payments is recorded in general revenues which does not offset the net cost of general government expenses.
- Public safety and public health showed decreases in expenses of \$.5 million and \$.2 million, respectively, primarily due to capital project activity in 2006 that did not qualify as additions to capital assets.
- Transportation expenses decreased by \$.1 million as a result of a greater number of projects eligible to be capitalized in 2007 compared to 2006.
- Economic assistance and opportunity expenses were down by \$.9 million, the majority of which was caused by the change in reimbursements under the heating assistance program. Reimbursements are now made directly by New York State.
- Home and community services increased by almost \$.2 million due to increased grant spending and contractual increases in the Refuse and Garbage Fund.
- Interest on debt increased by approximately \$.3 million as a result of the accretion of interest on the TTASC's capital appreciation bonds.

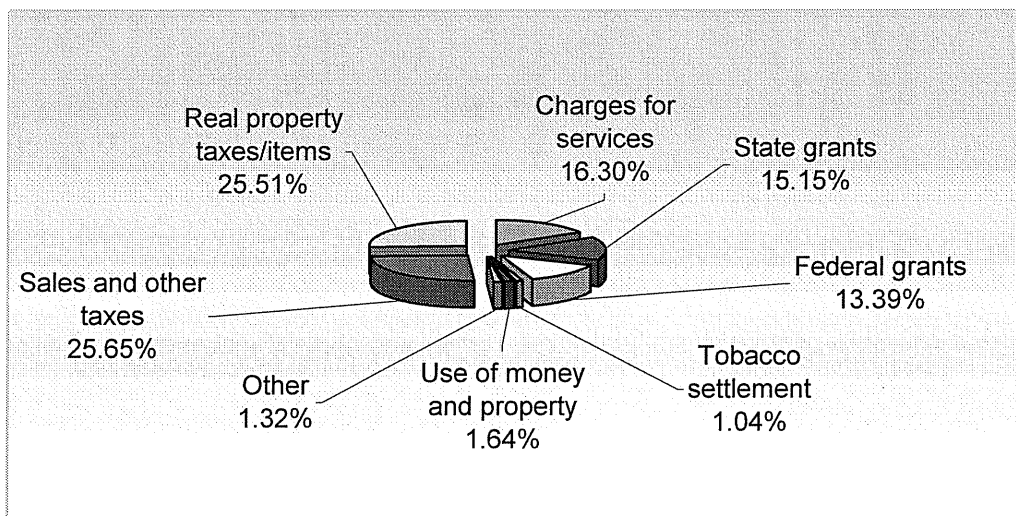
COUNTY OF TIOGA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2007

Figures 3 and 4 show the percent of the sources of revenues for 2007 and 2006.

**Figure 3 - Revenue by Source  
 Governmental Activities  
 2007**

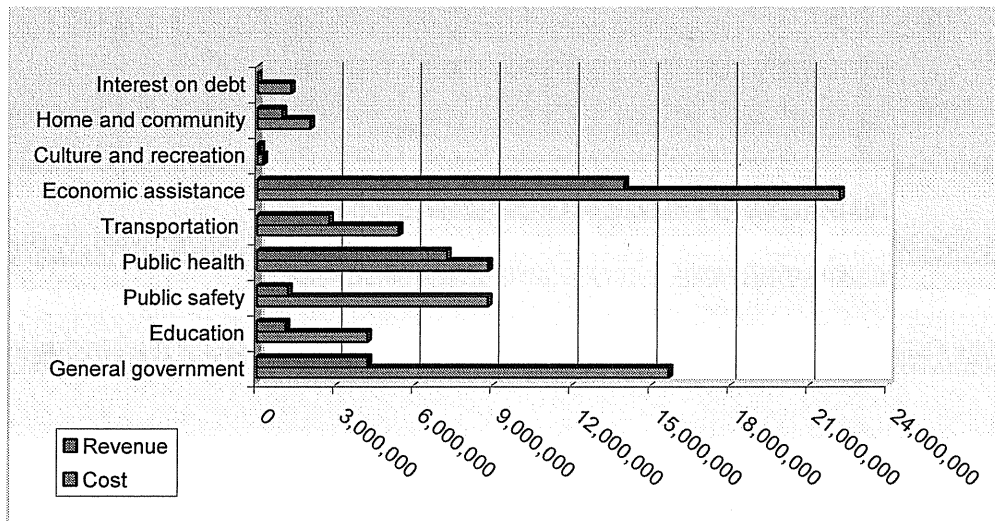


**Figure 4 - Revenue by Source  
 Governmental Activities  
 2006**

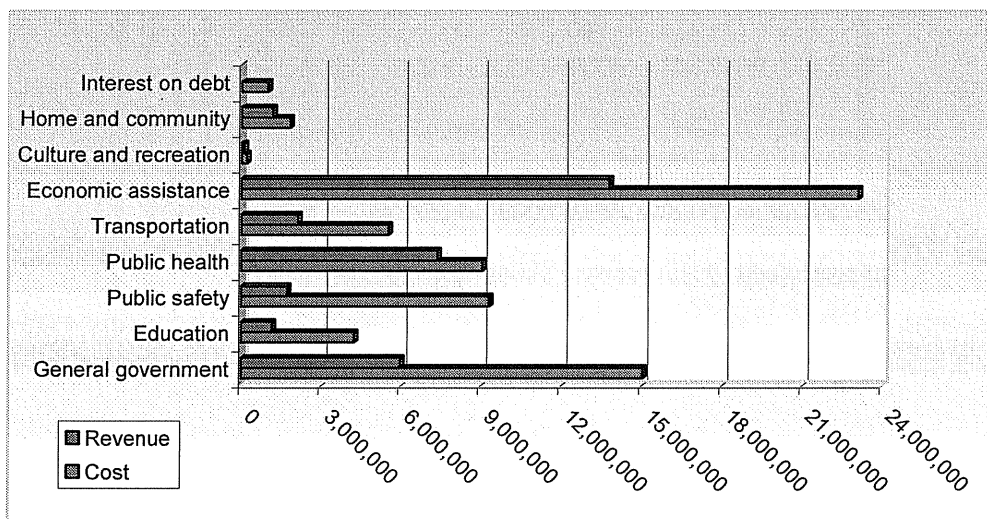


COUNTY OF TIOGA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2007

**Figure 5 - Net Program Cost  
 Governmental Activities  
 2007**



**Figure 6 - Net Program Cost  
 Governmental Activities  
 2006**



COUNTY OF TIOGA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007

**THE COUNTY'S FUNDS**

***Governmental Funds***

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

As of December 31, 2007, the County's operating fund, the General Fund, reported a fund balance of \$10,390,965, compared with the prior year's fund balance, as restated, of \$7,877,559; an increase of \$2,513,406. Fund balance in the General Fund includes unreserved, undesignated, fund balance of \$5,485,202, which is available for spending at management's discretion. The County has designated \$4,000,000 of the total fund balance for 2008 budget appropriations. The remainder of the fund balance is reserved to indicate it is not available for spending, because it is primarily committed to encumbrances of \$447,731 and other purposes of \$458,032. The County's Non-Major Governmental Funds reported fund balances of \$8,097,458, compared with a prior year fund balance of \$11,197,938, a decrease of \$(3,100,480) from the prior year. This decrease was primarily due to net spending of \$2,456,345 for capital projects.

**General Fund Budgetary Highlights**

For 2007, actual expenditures in the General Fund were \$2.1 million, or 3.8% lower than the revised budget, while actual revenues were \$3.4 million, or 5.8% higher than the revised revenue estimate. The General Fund budget was increased by approximately \$1.0 million during the year to \$59.1 million. The increases were due primarily to State and Federal grant extensions with offsetting increases to State and Federal revenue.

Real property taxes and tax items revenue were approximately \$18.7 million in 2007, which was \$50,776 less than budgeted. The County, at December 31, 2007, had a maximum taxing power of \$27,592,838. Nonproperty tax revenues were approximately \$16.0 million in 2007, \$1.2 million higher than budgeted. The largest appropriation variances were in public health, with expenditures of \$7.2 million and under budget by \$.7 million and public safety, with expenditures of \$6.2 million and under budget by \$.5 million. General governmental support was approximately \$9.9 million in 2007, \$.2 million lower than budgeted.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The County's investment in capital assets for its Governmental Activities as of December 31, 2007, amounted to \$53,985,407, net of accumulated depreciation, compared to \$51,185,937 at December 31, 2006. This investment in capital assets includes land, buildings, improvements, machinery and equipment, roads and bridges. The total increase in the County's investment in capital assets for the current fiscal year was 5.5% for Governmental Activities compared to 4.1% in 2006.

COUNTY OF TIOGA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007

**Figure 7 - Capital Assets, Net of Depreciation**

	<b>Governmental Activities</b>		<b>Percent Change</b>
	<b>2006</b>	<b>2007</b>	<b>2006 - 2007</b>
<i>Land</i>	\$ 1,355,100	\$ 1,355,100	0.0%
<i>Buildings and improvements</i>	29,542,848	29,828,178	1.0%
<i>Equipment</i>	9,567,767	9,959,340	4.1%
<i>Infrastructure</i>	38,071,653	41,479,084	9.0%
<i>Total Capital Assets at Historical Cost</i>	78,537,368	83,058,714	5.8%
<i>Accumulated depreciation</i>	(27,351,431)	(29,073,307)	6.3%
<b><i>Total Capital Assets, Net of Accumulated Depreciation</i></b>	<b>\$ 51,185,937</b>	<b>\$ 53,985,407</b>	<b>5.5%</b>

This year's additions consisted of:

Construction in progress	\$ 437,012
Building	285,330
Machinery and equipment	707,781
Infrastructure	<u>4,787,074</u>
<b>Total Additions</b>	<b>6,217,197</b>
Depreciation expense	(2,995,391)
Net book value of disposed assets	<u>(422,336)</u>
<b>Total Change in Capital Assets, net of Accumulated Depreciation</b>	<b>\$ <u>2,799,470</u></b>

**Debt Administration**

At the end of 2007, the County and its blended component unit had total debt outstanding, in the form of serial bonds, of \$20,290,319. The County's debt of \$5,000,000 is backed by the full faith and credit of the County and is exempt from the County's statutory debt limit of \$128,766,577. The blended component unit, Tioga Tobacco Asset Securitization Corporation, has debt of \$15,290,319, which is backed by Tobacco Settlement Revenues.

**Figure 8 - Outstanding Debt at Years Ended**

	<b>Governmental Activities</b>	
	<b>2006</b>	<b>2007</b>
<i>Beginning outstanding debt</i>	\$ 21,482,915	\$ 20,767,915
<i>Addition of accreted interest on TTASC bonds</i>	-0-	372,404
<i>Paid during the year</i>	(715,000)	(850,000)
<b>Totals</b>	<b>\$ 20,767,915</b>	<b>\$ 20,290,319</b>

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

Moody's Investors Service assigned the rating of A3 to the County's most recent debt issuance. The rating was based upon an insurance policy provided by Financial Guaranty Insurance Co. Fitch Ratings Agency has assigned a rating of A to the County's 2001 refunding debt series without any enhancements.



COUNTY OF TIOGA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

- The County Legislature is sensitive to the property tax burdens on the community. In developing the 2008 budget, the County offset increases in payroll, energy costs, and State programs with significant cost reductions in other areas. The County appropriated an additional \$600,000 of fund balance over the 2006 appropriation, for a total of \$4,000,000, to balance the 2008 budget. The impact on the real property taxes was an increase of 1.5%, for a total levy of \$18,445,801.
- As of the date of this report, New York State is facing a projected deficit of \$2 billion in 2008-2009 and another \$10 billion deficit in the following year. As a result, the County is anticipating cuts in State aid. However, it is not yet known how extensive the cuts will be.
- The nation is experiencing a growing recession affecting consumer spending and threatening potential job layoffs. This could adversely affect sales and property tax collection rates in the County and has the potential to increase demands for economic assistance from the County's constituents.

**CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

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

COUNTY OF TIOGA  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2007

	Primary Government	Component Units	
	Governmental Activities	Industrial Development Agency	Soil and Water Conservation District
<b><u>ASSETS</u></b>			
Current Assets:			
Cash and cash equivalents	\$ 18,438,356	\$ 581,395	\$ 419,996
Restricted cash		3,244,543	
Investments	1,000,000	1,126,752	
Taxes receivable, net	5,344,497		
Accounts receivable, net	1,581,090	14,826	341,810
Interest receivable	4,160	3,473	
Loans and leases receivable - current portion		89,275	
Due from state and federal governments	6,350,651		
Due from other governments	31,078		
Prepaid expenses	401,913		4,219
Total Current Assets	33,151,745	5,060,264	766,025
Noncurrent Assets:			
Restricted cash and cash equivalents	785,541		
Loans and leases receivable, long-term portion		299,843	
Deposits		2,800	
Unamortized bond issue costs	623,740	300,132	
Capital assets-land and construction in progress	1,792,112	5,473,371	
Capital assets-depreciable, net of accumulated depreciation	52,193,295	224,813	165,996
Total Noncurrent Assets	55,394,688	6,300,959	165,996
Total Assets	88,546,433	11,361,223	932,021
<b><u>LIABILITIES</u></b>			
Current Liabilities:			
Accounts payable	2,396,597		56,688
Accrued liabilities	384,829	1,677,373	82
Interest payable	115,548		
Due to other governments	3,434,865		
Compensated absences	764,536		12,452
Retained percentages	25,165		
Deferred revenue	68,709		
Self insurance accruals	3,198,880		
Long-term obligations due within one year	890,000	726,384	
Total Current Liabilities	11,279,129	2,403,757	69,222
Long-term obligations due after one year	23,850,319	3,246,742	
Total Liabilities	35,129,448	5,650,499	69,222
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	36,648,115	1,778,184	165,996
Restricted for:			
Debt	775,969		
Soil and water conservation			174,793
Community development	756,443		
Various purposes	93,401		
Total Restricted Net Assets	1,625,813	-0-	174,793
Unrestricted	15,143,057	3,932,540	522,010
Total Net Assets	\$ 53,416,985	\$ 5,710,724	\$ 862,799

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007

<u>FUNCTIONS/PROGRAMS</u>	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Government Activities:				
General governmental support	\$ 15,682,639	\$ 4,076,422	\$ 263,059	\$ 57,204
Education	4,223,240		1,101,096	
Public safety	8,821,114	687,542	364,756	9,292
Health	8,830,867	4,362,560	2,869,068	16,200
Transportation	5,401,028	52,603	675,153	2,020,445
Economic assistance and opportunity	22,174,490	1,106,298	12,894,393	
Culture and recreation	216,440	1,386	111,638	
Home and community services	1,998,469	504,751	281,830	80,426
Interest on debt	1,255,247			
<b>Total Primary Government</b>	<b>\$ 68,603,534</b>	<b>\$ 10,791,562</b>	<b>\$ 18,560,993</b>	<b>\$ 2,183,567</b>
Component Units:				
Industrial Development Agency	\$ 291,343	\$ 1,121,139	\$ 33,493	\$
Soil and Water Conservation	1,595,257	125,680	1,558,429	
<b>Total Component Units</b>	<b>\$ 1,886,600</b>	<b>\$ 1,246,819</b>	<b>\$ 1,591,922</b>	<b>\$ -0-</b>

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

**GENERAL REVENUES**

Taxes:

Property taxes, levied for general purposes

Sales and other taxes

County appropriations

Tobacco settlement payments

Use of money and property

Miscellaneous

Fines and forfeitures

Total General Revenues

Change in Net Assets

Net Assets - Beginning, restated

Net Assets - Ending

See Independent Auditor's Report and Notes to Financial Statements

Net (Expense) Revenue and  
Changes in Net Assets

Primary Government	Component Units	
Total Governmental Activities	Industrial Development Agency	Soil and Water Conservation District
\$ (11,285,954)	\$ _____	\$ _____
(3,122,144)	_____	_____
(7,759,524)	_____	_____
(1,583,039)	_____	_____
(2,652,827)	_____	_____
(8,173,799)	_____	_____
(103,416)	_____	_____
(1,131,462)	_____	_____
(1,255,247)	_____	_____
(37,067,412)	-0-	-0-
_____	863,289	_____
_____	_____	88,852
-0-	863,289	88,852
(37,067,412)	863,289	88,852
20,151,565	_____	_____
18,035,271	_____	_____
_____	_____	175,207
796,652	_____	_____
1,301,899	67,158	_____
1,012,208	_____	2,591
138,024	_____	_____
41,435,619	67,158	177,798
4,368,207	930,447	266,650
49,048,778	4,780,277	596,149
\$ 53,416,985	\$ 5,710,724	\$ 862,799

COUNTY OF TIOGA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2007

	Major Fund General Fund	Total Non-Major Governmental Funds	Total Governmental Funds
<b><u>ASSETS</u></b>			
Assets:			
Cash and cash equivalents - Unrestricted	\$ 6,478,455	\$ 5,593,614	\$ 12,072,069
- Restricted		785,541	785,541
Temporary investments		1,000,000	1,000,000
Taxes receivable, net	5,344,497		5,344,497
Other receivables, net	754,101	825,699	1,579,800
Interest receivable		4,160	4,160
Due from other funds	1,068,745	469,248	1,537,993
Due from state and federal governments	4,394,838	1,955,813	6,350,651
Due from other governments	31,078		31,078
Prepaid expenses	401,913		401,913
Total Assets	\$ 18,473,627	\$ 10,634,075	\$ 29,107,702
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 1,667,384	\$ 717,407	\$ 2,384,791
Accrued liabilities	350,238	32,622	382,860
Due to other funds	469,248	970,509	1,439,757
Due to other governments	3,434,865		3,434,865
Retained percentages		25,165	25,165
Deferred revenues	2,160,927	790,914	2,951,841
Total Liabilities	8,082,662	2,536,617	10,619,279
Fund Balances:			
Fund Balances - Reserved for:			
Encumbrances	447,731	781,918	1,229,649
Miscellaneous reserve	458,032	38,364	496,396
Debt		775,969	775,969
Total Reserved	905,763	1,596,251	2,502,014
Fund Balances - Unreserved			
Appropriated, Reported in:			
General Fund	4,000,000		4,000,000
Capital Projects Funds		4,505,913	4,505,913
Fund Balances - Unreserved			
Unappropriated, Reported in:			
General Fund	5,485,202		5,485,202
Special Revenue Funds		1,122,067	1,122,067
Capital Projects Funds		873,227	873,227
Total Fund Balances	10,390,965	8,097,458	18,488,423
Total Liabilities and Fund Balances	\$ 18,473,627	\$ 10,634,075	\$ 29,107,702

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
DECEMBER 31, 2007

Total Governmental Fund Balances \$ 18,488,423

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

Capital assets, net of accumulated depreciation, used in Governmental Activities are not financial resources and, therefore, are not reported in the funds. See Note 2.A.9

Historical cost of capital assets	\$ 83,058,714	
Less accumulated depreciation	<u>(29,073,307)</u>	<u>53,985,407</u>

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 2,883,132

Internal Service Funds are used by management to charge the costs of certain activities, such as health and workers' compensation insurance. The assets and liabilities of the Internal Service Funds are included in Governmental Activities in the Statement of Net Assets. (1,393,314)

Certain accrued expenses, such as interest on debt, reported in the Statement of Net Assets do not require the use of current financial resources and, therefore, are not reported as liabilities in Governmental Funds. (115,548)

Bond issuance costs are fully expensed in the Governmental Funds, but amortized over a period of time in the Statement of Activities. 623,740

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. See Note 2.B.2.

Bonds payable	\$ (19,917,915)	
Accreted interest on TASC bonds	(372,404)	
Compensated absences	<u>(764,536)</u>	<u>(21,054,855)</u>

Net Assets of Governmental Activities \$ 53,416,985

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, 2007

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Total</u> <u>Non-Major</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b><u>REVENUES</u></b>			
Real property taxes	\$ 17,620,988	\$ 754,416	\$ 18,375,404
Real property tax items	1,114,680		1,114,680
Nonproperty tax items	16,007,800	2,027,471	18,035,271
Departmental income	6,910,370	491,469	7,401,839
Intergovernmental charges	581,067		581,067
Use of money and property	595,260	403,119	998,379
Licenses and permits	1,839		1,839
Fines and forfeitures	138,024		138,024
Sale of property and compensation for loss	59,139	299,399	358,538
Miscellaneous local sources	626,414	4,679	631,093
Tobacco settlement revenue		774,675	774,675
Interfund revenues	22,577		22,577
State sources	8,932,542	1,166,152	10,098,694
Federal sources	8,959,189	1,686,677	10,645,866
Total Revenues	<u>61,569,889</u>	<u>7,608,057</u>	<u>69,177,946</u>
<b><u>EXPENDITURES</u></b>			
Current:			
General governmental support	9,900,808	62,517	9,963,325
Education	4,214,424		4,214,424
Public safety	6,150,246		6,150,246
Health	7,066,839		7,066,839
Transportation	807,844	1,739,153	2,546,997
Economic assistance and opportunity	19,670,902	373,533	20,044,435
Culture and recreation	212,401		212,401
Home and community services	592,107	1,300,623	1,892,730
Employee benefits	7,844,385	703,386	8,547,771
Debt service (principal and interest)	139,948	1,687,113	1,827,061
Capital outlay		7,298,791	7,298,791
Total Expenditures	<u>56,599,904</u>	<u>13,165,116</u>	<u>69,765,020</u>
Excess of Revenues (Expenditures)	<u>4,969,985</u>	<u>(5,557,059)</u>	<u>(587,074)</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Interfund transfers in		2,456,579	2,456,579
Interfund transfers (out)	(2,456,579)	-0-	(2,456,579)
Total Other Financing Sources (Uses)	<u>(2,456,579)</u>	<u>2,456,579</u>	<u>-0-</u>
Excess of Revenues (Expenditures) and Other Financing Sources (Uses)	<u>2,513,406</u>	<u>(3,100,480)</u>	<u>(587,074)</u>
Fund Balances, Beginning, as Restated	<u>7,877,559</u>	<u>11,197,938</u>	<u>19,075,497</u>
Fund Balances, Ending	<u>\$ 10,390,965</u>	<u>\$ 8,097,458</u>	<u>\$ 18,488,423</u>

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA  
 RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007

Net Change in Fund Balances - Total Governmental Funds \$ (587,074)

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

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

Capital outlay	\$ 6,217,197	
Net book value of disposed assets	(422,336)	
Depreciation expense	<u>(2,995,391)</u>	<u>2,799,470</u>

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 683,458

Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount of bond principal that was repaid. 850,000

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

Change in compensated absences	100,191	
Change in long-term retirement costs	139,948	
Change in accrued interest payable	3,399	
Amortization of bond issue costs	(49,129)	
Change in accreted interest on TASC capital appreciation bonds	<u>(372,404)</u>	<u>(177,995)</u>

Internal Service Funds are used by management to charge the costs of certain activities, such as workers' compensation and insurance, to individual funds. The net revenue of the internal service fund is reported with Governmental Activities. 800,348

Change in Net Assets of Governmental Activities \$ 4,368,207

See Independent Auditor's Report and Notes to Financial Statements



COUNTY OF TIOGA  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
DECEMBER 31, 2007

		<u>Governmental Activities Internal Service Funds</u>
<b><u>ASSETS</u></b>		
Current Assets:		
Cash and cash equivalents	\$	<u>6,366,287</u>
Accounts receivable, net		<u>1,290</u>
Total Current Assets		<u>6,367,577</u>
Total Assets		<u>6,367,577</u>
<b><u>LIABILITIES</u></b>		
Current Liabilities:		
Accounts payable		<u>11,806</u>
Accrued liabilities		<u>1,969</u>
Due to other funds		<u>98,236</u>
Self insurance accruals		<u>3,198,880</u>
Total Current Liabilities		<u>3,310,891</u>
Noncurrent Liabilities:		
Benefits and awards payable		<u>4,450,000</u>
Total Noncurrent Liabilities		<u>4,450,000</u>
Total Liabilities		<u>7,760,891</u>
<b><u>NET ASSETS</u></b>		
Unrestricted		<u>(1,393,314)</u>
Total Net Assets	\$	<u><u>(1,393,314)</u></u>

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007

	Governmental Activities <u>Internal Service Funds</u>
<b><u>OPERATING REVENUES</u></b>	
Charges for services - Governmental funds	\$ 5,721,350
Charges for services - External participants	<u>2,806,816</u>
Other operating revenues	<u>61,947</u>
 Total Operating Revenues	 <u>8,590,113</u>
<b><u>OPERATING EXPENSES</u></b>	
Salaries and wages	<u>313,472</u>
Contractual	<u>242,782</u>
Benefits and awards	<u>7,485,408</u>
Claims and judgments	<u>51,622</u>
 Total Operating Expenses	 <u>8,093,284</u>
 Income from Operations	 <u>496,829</u>
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>	
Interest income	<u>303,519</u>
Total Nonoperating Revenues	<u>303,519</u>
 Change in Net Assets	 <u>800,348</u>
Net Assets, Beginning	<u>(2,193,662)</u>
Net Assets, Ending	<u>\$ (1,393,314)</u>

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007

	Governmental Activities <u>Internal Service Funds</u>
Cash Flows from Operating Activities:	
Cash received from providing services - Governmental participants	\$ 5,720,060
- External participants	<u>2,806,816</u>
Cash received from insurance recoveries	<u>61,947</u>
Cash received from interfund transfer	<u>                    </u>
Cash payments - Employees	<u>(313,472)</u>
Cash payments - Claims and benefits	<u>(7,744,161)</u>
Net Cash Provided by Operating Activities	<u>531,190</u>
Cash Flows from Non-capital Financing Activities	<u>-0-</u>
Cash Flows from Capital and Related Financing Activities	<u>-0-</u>
Cash Flows from Investing Activities:	
Interest income received	<u>303,519</u>
Net Increase in Cash and Cash Equivalents	<u>834,709</u>
Cash and Cash Equivalents, January 1,	<u>5,531,578</u>
Cash and Cash Equivalents, December 31,	<u>\$ 6,366,287</u>
Reconciliation of Income from Operations to Net Cash Provided by Operating Activities:	
Income from operations	\$ <u>496,829</u>
(Increase) in interfund receivable	<u>                    </u>
(Increase) in other receivables	<u>(1,290)</u>
Increase in interfund payable	<u>(12,050)</u>
Increase in accounts payable	<u>2,865</u>
Decrease in accrued liabilities	<u>44,836</u>
Net Cash Provided by Operating Activities	<u>\$ 531,190</u>

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
DECEMBER 31, 2007

	Private Purpose Trust Funds	Agency Funds
<b><u>ASSETS</u></b>		
Cash and cash equivalents - Unrestricted	\$ <u>35,511</u>	\$ <u>457,970</u>
Total Assets	<u>35,511</u>	<u><u>457,970</u></u>
<b><u>LIABILITIES</u></b>		
Agency liabilities	<u>                    </u>	\$ <u>457,970</u>
Total Liabilities	<u>-0-</u>	<u><u>457,970</u></u>
<b><u>NET ASSETS</u></b>		
Held in trust for private purposes	\$ <u><u>35,511</u></u>	

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Private Purpose Trust Funds</u>
<b><u>ADDITIONS</u></b>	
Investment earnings	\$ <u>7,837</u>
Total Additions	<u>7,837</u>
<b><u>DEDUCTIONS</u></b>	
Distributions	<u>8,306</u>
Total Deductions	<u>8,306</u>
Change in Net Assets	(469)
Net Assets - Beginning	<u>35,980</u>
Net Assets - Ending	<u>\$ <u>35,511</u></u>

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF TIOGA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

Note 1 - Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

The decision to include a potential component unit in the County's reporting entity is based on several criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39, including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following are included as component units:

1. Blended Component Units

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

COUNTY OF TIOGA  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007

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

2. Discretely Presented Component Units

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

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

B. Accounting and Reporting Change

In June 2004, the GASB issued Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." This Statement establishes standards for reporting on nonpension postemployment benefits, such as health care premiums for retirees. The County will be required to adopt this Statement for the year ending December 31, 2008. As of December 31, 2008 the County has completed the process of evaluating the impact that will result from adopting this statement.

C. Basic Financial Statements

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

1. Government-wide Statements

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

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

COUNTY OF TIOGA  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007

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

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

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

2. Fund Statements

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

Governmental Funds

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

Major Fund:

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

Non-Major Funds:

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

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



COUNTY OF TIOGA  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007

Refuse and Garbage Fund - Accounts for the expense of operation and program income of the energy recovery facility.

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

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

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

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

Proprietary Funds

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

Fiduciary Funds

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

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

Agency Funds - Accounts 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.

D. Basis of Accounting/Measurement Focus

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

COUNTY OF TIOGA  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007

1. Accrual Basis

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

2. Modified Accrual Basis

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

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

E. Use of Estimates

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

F. Equity Classifications

1. Government-wide Statements

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

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

COUNTY OF TIOGA  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007

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

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

2. Fund Statements

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

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

Miscellaneous Reserve - The Miscellaneous Reserve is used for various purposes aggregated and reported in the General Fund. See Note 2. A. 6.

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

G. Property Taxes

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

The County Guarantees the real property tax levies of the villages and school districts located within the County. At December 31, 2007, the County reflected liabilities to the school districts of \$2,593,033 and the villages of \$475,449 for amounts of real property taxes the County had assumed responsibility for collecting, respectively. Such amounts were paid to the villages and school districts in 2008 and are included in due to other governments in the General Fund as of December 31, 2007.

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

At December 31, 2007, total real property tax receivable was \$5,686,171 (before deduction of an allowance for uncollectible taxes of \$341,674). The portion of the receivable that represents current year returned village and school taxes was \$3,097,082. The remaining portion of the tax receivable is offset by deferred tax revenues of \$2,092,218, which represents an estimate of the tax liens, which will not be collected within the first sixty (60) days of the subsequent year.

COUNTY OF TIOGA  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007

H. Sales Tax

The County imposes a 3% sales tax in the County and in accordance with Section 14 of the tax law, the County shares one-third of the 3% sales tax collections with the towns and villages.

Effective March 1, 1994 the County increased its sales tax by 1/2% to 3-1/2%. The 1/2% increase in sales tax rate is not shared with the towns and villages and proceeds from the sales tax increase are restricted to a capital reserve fund to be used only to finance capital improvement projects. The Non-Major Governmental Funds' non-property tax item amounting to \$2,027,471 is sales tax designated for capital projects. At December 31, 2007 this amount included an accrual of \$156,415, which is included in State and Federal receivables in the general fund, for sales that occurred in the State of New York in 2007 that had not been received by the County at December 31, 2007.

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

The General Fund's primary non-property tax item is sales tax, which amounted to \$15,593,996. At December 31, 2007 this amount included an accrual of \$1,255,565, which is included in State and Federal receivables, for sales that occurred in the State of New York in 2007 that had not been received by the County at December 31, 2007. Of the \$15,593,996 recognized as revenue, \$4,552,558 was distributed to local municipalities within the County.

I. 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.

J. 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.

K. Revenues

Substantially all Governmental Fund revenues are accrued. Property tax receivables expected to be received later than 60 days after year end are deferred. In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient. Subsidies and grants to Proprietary Funds that finance either capital or current operations are reported as nonoperating revenue, based on GASB 33.

L. 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.

COUNTY OF TIOGA  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007

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

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

M. Vacation and Sick Leave and Compensatory Absences

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

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

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

Employees are granted vacation leave credits of ten to twenty days per year depending on their contract and years of service. Up to two weeks of such leave can be carried over to the following year unless unusual circumstances exist and more time is requested and approved. Upon resignation or retirement, employees are paid for all unused vacation leave. The liability for vacation leave totaling \$764,536 is reported as an accrued liability in the Governmental Activities, as such amounts were not due and payable at December 31, 2007.

N. Interfund Activity

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

Note 2 - Detail Notes

A. Assets

1. Cash and Investments

The County of Tioga's investment policies are governed by State statutes. In addition, the County of Tioga 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.

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Total financial institution (bank) balances at December 31, 2007, per the bank, were \$20,980,618 for the primary government and \$171,398 for the TTASC, with a carrying value of \$20,717,378, which were either insured or collateralized with securities held by the pledging financial institution in the County's name. The County had a six month certificate of deposit which matures on March 12, 2008, with an interest rate of 4.94%. The TTASC also had liquidity reserves, recorded as restricted cash, in the amount \$785,541 held by the TASC trustee.

a. Interest Rate Risk

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

b. Credit Risk

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

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

c. Custodial Credit Risk

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

- Obligations issued or fully insured or guaranteed as to the payment of principal and interest by the United States of America, an agency thereof or a United States government sponsored corporation;
- Obligations partially insured or guaranteed by any agency of the United States of America;
- Obligations issued or fully insured or guaranteed by the State of New York;
- Obligations issued by municipal corporations, school districts, or district corporations of New York State or obligations of any public benefit corporation which under specific State statute may be accepted as security for deposit of public monies;

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- Obligations issued by states (other than the State of New York) of the United States rated in one of the two highest rating categories by at least one Nationally Recognized Statistical Rating Organization; obligations of counties, cities, and other governmental entities of a state other than a State of New York having the power to levy taxes that are backed by the full faith and credit of such governmental entity and rated in one of the two highest categories by at least one Nationally Recognized Statistical Rating Organization;
- Obligations of domestic corporations rated in one of the two highest rating categories by at least one Recognized Statistical Rating Organization; and
- Zero coupon obligations of the United States of America marketed as treasury strips.

d. Investments

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

e. Discretely Presented Component Unit - Industrial Development Agency

The Industrial Development Agency had cash with a carrying value of \$3,825,938, which was either insured or collateralized with securities held by the pledging financial institution in the Agency's name. Cash, in the amount of \$3,244,543 was restricted for use of the Agency's Board designated and outside contractual restrictions. The Agency also had certificates of deposit of \$1,126,752, with interest ranging from 3.94% to 5.12%; with \$682,575 maturing in 2008 and \$444,177 maturing in 2010.

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

The Soil and Water Conservation District had cash with a carrying value of \$419,996, which were either insured or collateralized with securities held by the pledging financial institution in the Agency's name.

2. Medicaid Claims

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

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

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3. Special and Restricted Fund Balances

a. Miscellaneous Reserve:

- i. State statutes require the County to reserve excess revenues over expenditures under the STOP DWI Program for use in the program in the following fiscal year. The amount of excess STOP DWI funds reserved in the General Fund at December 31, 2007 was \$93,401.
- ii. The County Legislature permits the collection of fees from telephone companies for the installation and operation of an Emergency 911 telephone system. A designation is therefore established in order for excess revenues may be used for this specific purpose in subsequent years. The amount designated in the General Fund at December 31, 2007 was \$276,215.
- iii. The County Legislature required the County to designate revenues from the forfeiture of criminal proceeds for the purpose of crime prevention. The amount of unexpended criminal prevention revenue designated in the General Fund at December 31, 2007 was \$19,606.
- iv. The County Legislature permits the collection of fees for hotel/motel usage. The amount of unexpended hotel/motel usage revenue designated in the General Fund at December 31, 2007 was \$68,420.
- v. The County Legislature permits the collection of fees from illegal handicapped parking. The amount of unexpended handicapped parking revenue designated in the General Fund at December 31, 2007 was \$390.

b. The County Legislature adopted a resolution to increase its sales tax by one-half of one percent for the purpose of financing capital projects. The amount of unexpended sales tax revenue designated and/or appropriated for 2008 in the Capital Projects Fund at December 31, 2007 was \$1,552,886.

c. The County Legislature adopted a local law to sell future rights, title, and interest in the Tobacco Settlement Revenue's (TSR) under the Master Settlement Agreement and the Consent Decree and Final Judgment of the Supreme Court of the State of New York, dated December 23, 1998, to the TTASC as Described in Note 1.A.1. The County by law is required to use the net proceeds of the sale to finance capital projects. As of December 31, 2007 there is \$2,953,027 designated and/or appropriated for 2007 within the Capital Projects Fund for the reconstruction and replacement of bridges in Tioga County.

4. State and Federal Receivables

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

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



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5. Tobacco Settlement and Other

In October 2000, the County sold to TTASC all of its future rights, title and interest, in the tobacco settlement revenues. As part of this sale, the County became the beneficial owner of a Residual Certificate, which represents the entitlement to receive all amounts required to be distributed after payment of debt service, operating expenses and certain other costs. The Non-Major Governmental Funds reflect \$774,675 of tobacco settlement revenues for the year ended December 31, 2007. The amount recognized in the Statement of Activities, on the accrual basis is \$796,652.

6. Accounts Receivable

Accounts receivable as of December 31, 2007, are as follows:

Governmental Activities:

Various fees and charges

Recorded in the General Fund	\$ 754,101
Recorded in the Capital Fund	34,785
Recorded in the Internal Service Fund	1,290
Tobacco settlement revenues recorded in the TTASC Fund	790,914
Interest receivable recorded in the TTASC Fund	<u>4,160</u>

Total Accounts Receivable \$ 1,585,250

7. Capital Assets

Capital asset activity for the year ended December 31, 2007, was as follows:

	Balance at 12/31/06	Additions	Deletions	Balance at 12/31/07
<u>Governmental Activities:</u>				
Capital Assets that are Not Depreciated:				
Land and land improvements	\$ 1,355,100	\$	\$	\$ 1,355,100
Construction in progress	<u>-0-</u>	437,012		437,012
Total Non Depreciable Capital Assets	1,355,100	437,012	-0-	1,792,112
Capital Assets that are Depreciated:				
Buildings	29,542,848	285,330		29,828,178
Machinery and equipment	9,567,767	707,781	(316,208)	9,959,340
Infrastructure	<u>38,071,653</u>	<u>4,787,074</u>	<u>(1,379,643)</u>	<u>41,479,084</u>
Total Depreciable Capital Assets	<u>77,182,268</u>	<u>5,780,185</u>	<u>(1,695,851)</u>	<u>81,266,602</u>
Total Historical Cost	<u>78,537,368</u>	<u>6,217,197</u>	<u>(1,695,851)</u>	<u>83,258,757</u>
Less Accumulated Depreciation:				
Buildings	(2,628,226)	(590,579)		(3,218,805)
Machinery and equipment	(5,637,321)	(843,972)	233,665	(6,247,628)
Infrastructure	<u>(19,085,884)</u>	<u>(1,560,840)</u>	<u>1,039,850</u>	<u>(19,606,874)</u>
Total Accumulated Depreciation	<u>(27,351,431)</u>	<u>(2,995,391)</u>	<u>1,273,515</u>	<u>(29,073,307)</u>
Governmental Activities Capital Assets, Net	<u>\$ 51,185,937</u>	<u>\$ 3,221,806</u>	<u>\$ (422,336)</u>	<u>\$ 53,985,407</u>

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Depreciation expense was charged to functions as follows:

<u>Governmental Activities:</u>	
General government support	\$ 507,380
Public safety	406,223
Public health	53,907
Transportation	1,921,493
Economic assistance and opportunity	102,413
Home and community services	<u>3,975</u>
Total Governmental Activities Depreciation Expense	<u>\$ 2,995,391</u>

Capital asset activity for the Industrial Development Agency for the year ended December 31, 2007, was as follows:

	Balance at 12/31/06	Additions	Deletions	Balance at 12/31/07
Land and land improvements	\$ 5,475,825	\$	\$ (2,454)	\$ 5,473,371
Railroad tracking and facilities	977,529			977,529
Sewer line	81,655			81,655
Machinery and equipment	<u>1,462</u>	<u>2,019</u>	<u>(1,198)</u>	<u>2,283</u>
Total Historical Cost	6,536,471	2,019	(3,652)	6,534,838
Less Accumulated Depreciation	<u>(798,537)</u>	<u>(38,837)</u>	<u>720</u>	<u>(836,654)</u>
Capital Assets, Net	<u>\$ 5,737,934</u>	<u>\$ (36,818)</u>	<u>\$ (2,932)</u>	<u>\$ 5,698,184</u>

B. Liabilities

1. Pension Plans

General Information

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

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

Funding Policy

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

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

<u>Year</u>	<u>ERS</u>
2007	\$ 1,607,653
2006	1,719,593
2005	1,628,957

The County's contributions made to the System were equal to 100% of the contributions required for each of the years. The System's pension relief legislation (New York State Chapter 620, Laws of 2004) was enacted to provide employers with relief in payment of their annual ERS cost. This legislation provides several options to employers, including delaying their payments from December 15 to February 6 of the ensuing year, payment of a portion of their cost over an amortized period, and the means to issue serial bonds to provide funding for the employer's liability. In addition, the employer was given the option of making full payment on December 15 at a discounted amount. The County of Tioga exercised its option of making payment on December 15, 2007, equal to 100% of the contributions required for the year.

The New York State Legislature has authorized local governments to make available retirement incentive programs. The County participates in early retirement programs when they are offered and has elected to pay the related cost over a five year amortization period, which includes interest at rates ranging from 8% to 8.5%. There is no remaining liability for these incentive programs at December 31, 2007.

Postretirement Benefits

In addition to the pension benefits described above, the County provides postretirement health care benefits to all employees who retire from the County in accordance with Article 2, Section 75-g, Article 14, and Article 15 of the New York State Retirement and Social Security Law. During 2007, 174 retirees participated in this program. When a retiree who was hired on or before 1991, elects such coverage, the individual payment is \$5.00 per month and the family payment is \$7.50 per month. For retirees who were hired after 1991, the cost is 50% of the monthly premium. Additionally, when an employee retires with accumulated sick leave, the dollar equivalent of the retiree's accumulated sick leave is credited to the retiree and is used to fund their share of the premium cost of the health insurance program that is available to the retiree group. Certain premium savings are realized for employees who are eligible for Medicare coverage (i.e., over age 65). The entire amount of any savings realized is deducted from the employees' contribution. During 2007, the cost of this program was \$1,703,935.

2. Long-term Debt

At December 31, 2007, the total outstanding indebtedness of the County of Tioga aggregated \$20,290,319. None of this amount was subject to the statutory debt limit debt limit of \$128,766,577.

a. Serial Bonds

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

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

The following is a summary of serial bond indebtedness as of December 31, 2007:

Serial Bonds:	<u>Interest</u>	<u>Maturity</u>	<u>Amount</u>
Issued by the County:			
Refunding issues - 2001	3.00-5.00%	03/15/2014	\$ 5,000,000
Issued by TTASC:			
Series 2005	4.25-5.00%	12/31/2042	<u>14,917,915</u>
Add accreted interest on capital appreciation bonds			<u>372,404</u>
Carrying value of TTASC bonds			<u>15,290,319</u>
 Total Serial Bonds			 <u>\$ 20,290,319</u>

The TTASC Series 2005 bonds are comprised of tax exempt turbo bonds in the amount of \$12,585,000 and \$2,332,915 of tax exempt turbo capital appreciation bonds. Accreted interest in the amount of \$372,404 has been accrued on the capital appreciation bonds, for a total carrying value of \$2,705,319 as of December 31, 2007.

Indebtedness and Certain Long-term Obligations

The following is a summary of changes in long-term obligations for the period ended December 31, 2007:

	<u>Balance at 12/31/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12/31/07</u>	<u>Amount Due within One Year</u>
Long-term Liabilities:					
Governmental Activities:					
Bonds Payable	\$ 20,767,915	\$ -0-	\$ (850,000)	\$ 19,917,915	\$ 890,000
Accreted Interest	<u>-0-</u>	<u>372,404</u>		<u>372,404</u>	
Carrying value of bonds	20,767,915	372,404	(850,000)	20,290,319	890,000
Other Long-term Liabilities:					
Due to New York State Early Retirement System program	139,948		(139,948)	-0-	
Compensated absences	864,727		(100,191)	764,536	764,536
Self insurance liabilities	<u>4,450,000</u>			<u>4,450,000</u>	
Total Long-term Liabilities	<u>\$ 26,222,590</u>	<u>\$ 372,404</u>	<u>\$(1,090,139)</u>	<u>\$ 25,504,855</u>	<u>\$ 1,654,536</u>

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NOTES TO FINANCIAL STATEMENTS  
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The annual requirements to amortize the debt on outstanding bonds as of December 31, 2007 are as follows:

Year	County			TTASC		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 650,000	\$ 197,263	\$ 847,263	\$ 280,000	\$ 600,162	\$ 880,162
2009	690,000	172,138	862,138	300,000	587,837	887,837
2010	730,000	144,600	874,600	330,000	574,722	904,722
2011	745,000	115,100	860,100	355,000	560,378	915,378
2012	735,000	81,825	816,825	375,000	544,806	919,806
2013-2017	1,450,000	62,325	1,512,325	2,315,000	2,422,631	4,737,631
2018-2022				3,915,000	1,658,375	5,573,375
2023-2027				4,948,526	1,620,761	6,569,287
2028-2032				1,028,044	4,928,604	5,956,648
2033-2037				655,744	5,676,836	6,332,580
2038-2042				415,601	2,670,262	3,085,863
Totals	<u>\$ 5,000,000</u>	<u>\$ 773,251</u>	<u>\$ 5,773,251</u>	<u>\$ 14,917,915</u>	<u>\$ 21,845,374</u>	<u>\$ 36,763,289</u>

Letter of Credit

The County has an irrevocable standby Letter of Credit with Tioga State Bank for \$714,400. The County uses the letter of credit as part of its guarantee to Blue Cross-Blue Shield under the Tioga County Consolidated Municipal Health Insurance Program. Interest on advances is at the lender's base rate less 2.5% per annum with a minimum rate of 3.5% per annum. There have been no advances under the letter of credit as of December 31, 2007.

Discretely Presented Component Unit - The Industrial Development Agency

The Industrial Development Agency has bonds outstanding, which were issued on September 12, 2002, as taxable variable rate demand industrial development bonds. Face value of the bonds was \$7,500,000. The bonds were sold at a discount of \$101,573. The average life of the bonds is 5.85 years, with a maturity date of September 2012. The interest rate on the bonds is blended, and calculated daily. As of December 31, 2007, the rate was 3.3%. At December 31, 2007, the face value of the bonds was \$3,920,000, with a remaining discount of \$47,400. The discount is shown together with the bond issue cost of \$252,732 in the Statement of Net Assets. The principal of the bonds is scheduled to be repaid as follows:

Year	Amount
2008	\$ 705,000
2009	740,000
2010	780,000
2011	825,000
Thereafter	870,000
Total	<u>\$ 3,920,000</u>

COUNTY OF TIOGA  
 NOTES TO FINANCIAL STATEMENTS  
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The cost of issuing the bonds had been capitalized and is included on the balance sheet as bond issuance costs. The amortization of the costs, using straight-line method is:

	Amount
Bond issuance costs	\$ 541,586
Less amortization	(288,836)
Total	\$ 252,750

In addition to the bonds noted above, the Agency has loans payable to the U.D.C. One loan, in the amount of \$26,667, at 0.00% interest, matures in 2009. The other loan, in the amount of \$26,459, at 1.0% interest, matures 2011. The repayment of these loans is estimated as follows:

Year	Amount
2008	\$ 21,384
2009	21,464
2010	8,212
2011	2,066
Total	\$ 53,126

C. Interfund Receivables/Payables and Transfers

During the course of normal operations, the County has numerous transactions between funds including expenditures and transfers of resources primarily to provide services. The Governmental Funds financial statements generally reflect such transactions as transfers whereas the Proprietary Funds record such transactions as non-operating revenues or expenses. Interfund receivables/payables and transfers at December 31, 2007 were as follows:

	Interfund Receivables	Interfund Payables	Interfund Revenue	Interfund Expense
General Fund	\$ 1,068,745	\$ 469,248	\$ 2,456,579	\$ 2,456,579
Non major Funds	469,248	970,509	2,456,579	
Total Governmental Funds	1,537,993	1,439,757	2,456,579	2,456,579
Internal Service Funds		98,236		
Total	\$ 1,537,993	\$ 1,537,993	\$ 2,456,579	\$ 2,456,579

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

Note 3 - Risk Management

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

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 NOTES TO FINANCIAL STATEMENTS  
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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 who is responsible for processing claims and estimating liabilities under this coverage.

The self insurance fund provides self insurance coverage for all workers' compensation claims for employees of each participating municipality. The County and certain municipalities within the County participate in the program and make payments to the self insurance fund based upon three factors: the total property tax assessed value, the total payroll, and the prior years' claims for each participant. The County is completely self insured with regard to workers' compensation claims and is the administrator for this fund.

The consolidated health insurance fund provides self insurance coverage up to an annual ceiling (\$7.9 million in 2007) for health and dental claims for employees of each participating municipality. The County and certain municipalities within the County participate in the program and make payments to the consolidated health insurance fund. Payments from participants are determined based upon the number of contracts each participating municipality utilized in the preceding year. The County purchases commercial insurance for claims in excess of self insurance coverage provided by the fund. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. The County utilizes a third party administrator who is responsible for processing claims and estimating liabilities under this coverage.

The estimated accrued claims of \$7,648,880 reported in the Internal Service Funds at December 31, 2007 are based upon the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Issues," which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable that 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, 2007 including discounted long-life workers' compensation awards within the Workers' Compensation Fund. Changes in the funds' liabilities for the year ended December 31, 2007 were:

	Liability Beginning of Year	Claims and Changes in Estimates	Claim Payments	Liability End of Year
Workers' compensation	\$ 5,100,000	\$ 522,093	\$ 522,093	\$ 5,100,000
Property and health claims	<u>2,504,116</u>	<u>7,008,079</u>	<u>6,963,315</u>	<u>2,548,880</u>
Total All Funds	<u>\$ 7,604,116</u>	<u>\$ 7,530,172</u>	<u>\$ 7,485,408</u>	<u>\$ 7,648,880</u>

Note 4 - Transactions with Discretely Presented Component Units

Tioga County Soil and Water Conservation District

The County provides support to the District through annual appropriations. In 2007, the County provided \$175,207 to the District. In addition, the District office is on land owned by Tioga 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 time period is ten years with the option to renew the lease for four additional ten year periods.

COUNTY OF TIOGA  
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
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Note 5 - Restatement of General Fund Balance and Governmental Net Assets as of December 31, 2006

During the year, the County became aware that certain New York State Department of Social Services (NYSDSS) receivables recorded in prior years would not be collected. As a result, fund balance in the General Fund and net assets in the Statement of Net Assets as of December 31, 2006, had to be restated by \$4,082,353.

	General Fund	Governmental Activities
Fund Balance/Net Assets as of December 31, 2006 per Report Dated November 15, 2007	\$ 11,959,912	\$ 53,131,131
Restatement	<u>(4,082,353)</u>	<u>(4,082,353)</u>
Fund Balance/Net Assets as of December 31, 2006 as Restated	<u>\$ 7,877,559</u>	<u>\$ 49,048,778</u>

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

Note 6 - Subsequent Events

Tioga County will implement GASB Statement No. 45, which requires reporting of the obligation for other post employment benefits in the financial statements. Tioga County provides health benefits for retired employees, and in some cases, their dependents. Eligibility varies depending upon date of hire and length of service. An actuarial study will be used to determine the liability that will be reported beginning with the year ending December 31, 2008.

In addition to GASB Statement No. 45, the County will implement GASB Statement No. 49 as of December 31, 2008. This statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the document excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and postclosure care and nuclear power plant decommissioning. The County is in the process of evaluating the effects of this statement.



COUNTY OF TIOGA  
 BUDGETARY COMPARISON SCHEDULE (NON-GAAP)  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2007

	Original Budget	Final Budget	Actual	Encumbrances	Variance Favorable- (Unfavorable)
<b><u>REVENUES</u></b>					
Real property taxes	\$ 18,173,949	\$ 18,082,444	\$ 17,620,988	\$	\$ (461,456)
Real property tax items	704,000	704,000	1,114,680		410,680
Nonproperty tax items	14,692,138	14,783,643	16,007,800		1,224,157
Departmental income	7,641,130	7,725,250	6,910,370		(814,880)
Intergovernmental charges	600,000	600,000	581,067		(18,933)
Use of money and property	126,200	126,200	595,260		469,060
Licenses and permits	1,800	1,800	1,839		39
Fines and forfeitures	136,150	136,150	138,024		1,874
Sale of property and compensation for loss			59,139		59,139
Miscellaneous local sources	120,000	120,000	626,414		506,414
Interfund revenues	28,100	28,100	22,577		(5,523)
State sources	7,589,219	8,359,574	8,932,542		572,968
Federal sources	7,395,706	7,500,724	8,959,189		1,458,465
Total Revenues	<u>57,208,392</u>	<u>58,167,885</u>	<u>61,569,889</u>	<u>-0-</u>	<u>3,402,004</u>
<b><u>EXPENDITURES</u></b>					
Current:					
General governmental support	10,616,209	10,131,516	9,900,808	48,424	182,284
Education	4,050,000	4,359,664	4,214,424	138,039	7,201
Public safety	6,542,552	6,660,486	6,150,246	54,986	455,254
Health	7,442,005	7,977,297	7,066,839	175,538	734,920
Transportation	800,000	807,844	807,844		-0-
Economic assistance and opportunity	19,471,081	20,010,105	19,670,902	30,744	308,459
Culture and recreation	301,847	302,999	212,401		90,598
Home and community services	589,321	599,580	592,107		7,473
Employee benefits	8,295,932	8,291,271	7,984,333		306,938
Total Expenditures	<u>58,108,947</u>	<u>59,140,762</u>	<u>56,599,904</u>	<u>447,731</u>	<u>2,093,127</u>
Excess of (Expenditures) Revenues	<u>(900,555)</u>	<u>(972,877)</u>	<u>4,969,985</u>	<u>(447,731)</u>	<u>5,495,131</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
Interfund transfers in					-0-
Interfund transfers (out)	<u>(2,499,445)</u>	<u>(2,533,486)</u>	<u>(2,456,579)</u>		76,907
Sale of capital assets					-0-
Total Other Financing (Uses)	<u>(2,499,445)</u>	<u>(2,533,486)</u>	<u>(2,456,579)</u>	<u>-0-</u>	<u>76,907</u>
Excess of (Expenditures) Revenues and Other Financing Sources (Uses)	<u>(3,400,000)</u>	<u>(3,506,363)</u>	<u>2,513,406</u>	<u>\$ (447,731)</u>	<u>\$ 5,572,038</u>
Appropriated fund balance	<u>3,400,000</u>	<u>3,506,363</u>			
Net Increase (Decrease)	<u>-0-</u>	<u>-0-</u>	<u>2,513,406</u>		
Fund Balance, Beginning			<u>7,744,756</u>		
Fund Balance, Ending			<u>\$ 10,258,162</u>		

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

COUNTY OF TIOGA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2007

Note 1 - Budget Policies

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

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

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

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

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

Note 2 - Reconciliation of the Budget Basis to GAAP

The "actual" column on the Budgetary Comparison Schedule (Non-GAAP) differs from the amounts reported on the GAAP reporting model because certain items in the General Fund are reported differently for GAAP than they were treated in the budget. The payment of retirement incentives, in the amount of \$139,948, is recorded as employee benefits on the budgetary basis, but is reported as debt service expenditures in the Statement of Revenues, Expenditures, and Changes in Fund Balances.



Capital Projects Funds	TTASC	Total Non-Major Governmental Funds
\$ 4,407,873	\$ 171,398	\$ 5,593,614
	785,541	785,541
1,000,000		1,000,000
65,960		469,248
1,595,827		1,955,813
34,785	790,914	825,699
	4,160	4,160
<u>\$ 7,104,445</u>	<u>\$ 1,752,013</u>	<u>\$ 10,634,075</u>
\$ 479,366	\$	\$ 717,407
	1,664	32,622
507,467		970,509
25,165		25,165
	790,914	790,914
1,011,998	792,578	2,536,617
713,307		781,918
		38,364
	775,969	775,969
713,307	775,969	1,596,251
4,505,913		4,505,913
	183,466	1,122,067
873,227		873,227
6,092,447	959,435	8,097,458
<u>\$ 7,104,445</u>	<u>\$ 1,752,013</u>	<u>\$ 10,634,075</u>

COUNTY OF TIOGA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007

	Special Revenue Funds			
	Special Grant Fund	Refuse and Garbage Fund	County Road Fund	Road Machinery Fund
<b><u>REVENUES</u></b>				
Real property taxes	\$	\$ 754,416	\$	\$
Nonproperty tax items				
Departmental income		491,469		
Use of money and property	858	5,838	161	9
Sale of property and compensation for loss				
Miscellaneous local sources		69	4,590	
Tobacco settlement				
State sources		16,999		
Federal sources	605,904	46,359		
Total Revenues	<u>606,762</u>	<u>1,315,150</u>	<u>4,751</u>	<u>9</u>
<b><u>EXPENDITURES</u></b>				
Current:				
General governmental support	33,956			
Transportation			1,220,316	518,837
Economic assistance and opportunity	373,533			
Home and community services	177,347	1,123,276		
Employee benefits	43,624	59,416	509,709	90,637
Debt service (principal and interest)				
Capital outlay				
Total Expenditures	<u>628,460</u>	<u>1,182,692</u>	<u>1,730,025</u>	<u>609,474</u>
Excess of Revenues (Expenditures)	<u>(21,698)</u>	<u>132,458</u>	<u>(1,725,274)</u>	<u>(609,465)</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Interfund transfers in			1,807,090	649,489
Total Other Financing Sources (Uses)	<u>-0-</u>	<u>-0-</u>	<u>1,807,090</u>	<u>649,489</u>
Excess of Revenues (Expenditures) and Other Financing Sources (Uses)	<u>(21,698)</u>	<u>132,458</u>	<u>81,816</u>	<u>40,024</u>
Fund Balances, Beginning	<u>778,141</u>	<u>(85,097)</u>	<u>46,216</u>	<u>73,716</u>
Fund Balances, Ending	<u>\$ 756,443</u>	<u>\$ 47,361</u>	<u>\$ 128,032</u>	<u>\$ 113,740</u>

See Independent Auditor's Report

Capital Projects Funds	TTASC	Total Non-Major Governmental Funds
\$	\$	\$
		754,416
<u>2,027,471</u>		<u>2,027,471</u>
		491,469
<u>331,989</u>	<u>64,264</u>	<u>403,119</u>
<u>299,399</u>		<u>299,399</u>
<u>20</u>		<u>4,679</u>
	<u>774,675</u>	<u>774,675</u>
<u>1,149,153</u>		<u>1,166,152</u>
<u>1,034,414</u>		<u>1,686,677</u>
<u>4,842,446</u>	<u>838,939</u>	<u>7,608,057</u>
	<u>28,561</u>	<u>62,517</u>
		<u>1,739,153</u>
		<u>373,533</u>
		<u>1,300,623</u>
		<u>703,386</u>
<u>880,588</u>	<u>806,525</u>	<u>1,687,113</u>
<u>7,298,791</u>		<u>7,298,791</u>
<u>8,179,379</u>	<u>835,086</u>	<u>13,165,116</u>
<u>(3,336,933)</u>	<u>3,853</u>	<u>(5,557,059)</u>
		<u>2,456,579</u>
<u>-0-</u>	<u>-0-</u>	<u>2,456,579</u>
<u>(3,336,933)</u>	<u>3,853</u>	<u>(3,100,480)</u>
<u>9,429,380</u>	<u>955,582</u>	<u>11,197,938</u>
<u>\$ 6,092,447</u>	<u>\$ 959,435</u>	<u>\$ 8,097,458</u>

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Frederick J. Ciaschi, C.P.A.

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

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

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Tioga as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 18, 2008. We did not audit the financial statements of the Tioga Tobacco Asset Securitization Corporation, the Tioga County Soil and Water Conservation District or the Tioga County Industrial Development Agency. The Tioga Tobacco Asset Securitization Corporation represents 2.0% and 1.1% respectively, of the assets and revenues of the Governmental Activities. The Tioga County Soil and Water Conservation District and the County of Tioga Industrial Development Agency represent 92.4% and 7.6%, and 30.4% and 69.6%, respectively, of the assets and revenues of the component units. The financial statements of the Tioga Tobacco Asset Securitization Corporation, the Tioga County Soil and Water Conservation District and the Tioga County Industrial Development Agency were audited by other auditors whose reports, issued in accordance with auditing standards generally accepted in the United States of America, have been furnished to us. Our opinions, insofar as they relate to the amounts included in the Tioga Tobacco Asset Securitization Corporation, the Tioga County Soil and Water Conservation District and the Tioga County Industrial Development Agency, are based on the reports of the other auditors. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 06-2 to be a significant deficiency and items 06-01 and 07-01 to be material weaknesses in internal control over financial reporting.

#### Compliance and Other Matters

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

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

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

November 18, 2008  
Ithaca, New York



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Frederick J. Ciaschi, C.P.A.

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

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

Compliance

We have audited the compliance of the County of Tioga with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. The County of Tioga's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Tioga's management. Our responsibility is to express an opinion on County of Tioga's compliance based on our audit.

The County's basic financial statements include the operations of the Tioga Tobacco Asset Securitization Corporation, the Tioga County Industrial Development Agency, and the Tioga Soil and Water Conservation District which expended \$562,255 in federal awards which are not included in the Schedule of Expenditures of Federal Awards for the year ended December 31, 2007. Our audit, described below, did not include the federal awards of the above entities as these entities conducted separate audits in accordance with the OMB Circular A-133, if required.

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

In our opinion, the County of Tioga complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

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## Internal Control Over Compliance

The management of the County of Tioga is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered County of Tioga's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

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

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

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

November 18, 2008  
Ithaca, New York

COUNTY OF TIOGA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007

<u>Federal Grantor/ Pass Through Grantor/ Program Title</u>	<u>Federal Catalog #</u>	<u>Pass-Through Grantor #</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Passed Through NYS Department of Family Assistance:			
Food Stamps Program	10.551	(1)	\$ 5,259,939
Passed Through NYS Department of Labor:			
School Breakfast Program	10.553	(1)	4,266
National School Lunch Program	10.555	(1)	<u>6,158</u>
Total U.S. Department of Agriculture			5,270,363
<u>U.S. Department of Housing and Urban Development</u>			
Passed Through NYS Governor's Office for Small Cities:			
Community Development Block Grant/State's Program	14.228	(1)	177,347
<u>U.S. Department of Labor</u>			
Passed Through State Department of Labor:			
Area Administrative Agency:			
Trade Adjustment Assistance	17.245	(1)	50,003
Workforce Investment Act - Adult Program	17.258	(1)	158,647
Workforce Investment Act - Youth Activities	17.259	(1)	96,534
Workforce Investment Act - Dislocated Workers	17.260	(1)	<u>125,813</u>
Total U.S. Department of Labor			430,997
<u>U.S. Department of Transportation</u>			
Passed Through State Department of Transportation:			
Highway Planning and Construction	20.205	D030053	761,342
Federal Transit Formula Grants	20.507	(1)	124,000
Formula Grants for Other than Urbanized Areas	20.509	(1)	48,600
Passed Through NYS Governor's Traffic Safety Committee:			
State and Community Highway Safety	20.600	PT5400122	<u>17,902</u>
Total U.S. Department of Transportation			951,844
<u>U.S. Department of Education</u>			
Passed Through NYS Department of Health:			
Early Intervention Administration	84.181A	(1)	43,424
<u>Election Assistance Commission</u>			
Passed Through NYS Office of General Services:			
Help America Vote Act Requirements Payments	90.401	14-603200	<u>9,292</u>
Subtotal Expenditures of Federal Awards			6,883,267

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

COUNTY OF TIOGA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007

<u>Federal Grantor/ Pass Through Grantor/ Program Title</u>	<u>Federal Catalog #</u>	<u>Pass-Through Grantor #</u>	<u>Expenditures</u>
Subtotal Expenditures of Federal Awards Carried Forward			\$ 6,883,267
<u>U.S. Department of Health and Human Services</u>			
Passed Through NYS Department of Family Assistance:			
Temporary Assistance to Needy Families	93.558	(1)	2,929,245
Child Support Enforcement	93.563	(1)	392,685
Low-Income Home Energy Assistance - HEAP	93.568	(1)	2,302,508
Child Care Development Block Grant	93.575	(1)	1,248,844
Foster Care - Title IV-E	93.658	(1)	439,050
Adoption Assistance	93.659	(1)	168,475
Social Services Block Grant	93.667	(1)	343,698
Chafee Foster Care Independence Program	93.674	(1)	7,543
Medical Assistance	93.778	(1)	702,182
Passed Through State Department of Labor:			
Temporary Assistance to Needy Families	93.558	(1)	5,987
Passed Through NYS Division of Alcohol and Substance Abuse:			
Block Grant for the Prevention and Treatment of Substance Abuse	93.959	(1)	114,743
Passed Through the NYS Office of Mental Health:			
Maternal and Child Health Services Block Grant	93.994	(1)	47,958
Passed Through the Centers for Disease Control and Prevention:			
Investigations and Technical Assistance	93.283	(1)	<u>104,181</u>
Total U.S. Department of Health and Human Services			8,807,099
<u>U.S. Department of Homeland Security</u>			
Passed Through NYS Department of Emergency Management:			
State Domestic Preparedness Equipment Support Program	97.004	LE07-1003-E00	57,389
Homeland Security Grant Program	97.067	(1)	<u>20,039</u>
Total U.S. Department of Homeland Security			<u>77,428</u>
Total Expenditures of Federal Awards			<u>\$ 15,767,794</u>

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

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

COUNTY OF TIOGA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2007

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

Note 2 - Basis of Accounting

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

Note 3 - Indirect Costs

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

Note 4 - Matching Costs

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

Note 5 - Department of Social Services - Administrative Costs

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

Note 6 - Non-Monetary Federal Program

The County is the recipient of Federal financial assistance programs that do not result in cash receipts or disbursements, termed "non-monetary programs." During the year ended December 31, 2007, the County distributed \$4,569,900 worth of food stamps to eligible persons participating in the Food Stamps Program (CFDA Number 10.551). These programs are considered a major Federal award in the County's single audit.

Note 7 - Pass-Through Programs

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

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

COUNTY OF TIOGA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED DECEMBER 31, 2007

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

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?  yes  no

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

Noncompliance material to financial statements noted?  yes  no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?  yes  no

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

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

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

Identification of major programs:

<u>CFDA Numbers:</u>	<u>Name of Federal Program or Cluster:</u>
10.551	Food Stamp Program
17,258, 17.259, 17.260	WIA Cluster
20.205	Highway Planning and Construction
93.575	Child Care and Development Block Grant
93.667	Social Services Block Grant

Dollar threshold used to distinguish between type A and type B programs \$473,034

Auditee qualified as low-risk auditee:  yes  no

COUNTY OF TIOGA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)  
DECEMBER 31, 2007

**Section II - Financial Statement Findings**

Reference No. 06-01

Condition:

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

Criteria:

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

Cause/Effect:

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

Recommendation:

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

Current Status:

During the year, the County implemented procedures to analyze its self-insurance accruals and adjusted the accruals as necessary. During our current year audit, we noted transactions not properly accrued and for which adjusting entries were made.

Corrective Action Plan:

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

Reference No. 06-02

Condition:

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

Criteria:

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

Cause/Effect:

Through inquiry with County personnel, it was revealed that the computer system could not provide the information needed to complete the reconciliations until year end closing, which occurs in April.

Recommendation:

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

COUNTY OF TIOGA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)  
DECEMBER 31, 2007

Current Status:

During the current year audit, with the exception of year-end bank reconciliations, the reconciliations appear to have been made in a timely manner. However, the year-end bank reconciliations could not be performed until April 2008 because the computer system could not provide information necessary to perform the reconciliations until the year-end closings could be performed in the system. No misstatement to the financial statements was noted as a result of this deficiency in the current year.

Corrective Action Plan:

Management will establish controls to verify that all bank accounts are reconciled in a timely manner. The reconciliations will be done as soon as the system allows and will be reviewed by the Treasurer.

Reference No. 07-01

Condition:

During the year, the County became aware that certain New York State Department of Social Services (NYSDSS) receivables recorded in prior years would not be collected. As a result, fund balance in the General Fund and net assets in the Statement of Net Assets as of December 31, 2006, had to be restated by \$4,215,156. It appears that 2007 activity was recorded properly.

Criteria/Effect:

Accounts should be monitored and adjusted as necessary in a timely manner to ensure financial statement amounts are recorded in accordance with U.S. generally accepted accounting principles.

Cause:

Through inquiry with County personnel, it appears changes in New York State's settlement procedures for certain block grant programs were not incorporated in the County's recording of revenue adjustments for those block grants. When the changes became known, revenue was adjusted prospectively and receivable balances from prior years were not adjusted.

Recommendation:

We recommend the County maintain internal control procedures begun in 2007 to reconcile NYSDSS receivable balances maintained by the Treasurer's Office to the County's Social Services Department's records monthly to ensure the accurate recording of revenue. We also recommend this reconciliation include analyzing previously recorded receivables for collectability.

Corrective Action Plan:

In addition to reconciling current period activity, management has begun to perform reconciliations of NYSDSS receivable balances with the Department of Social Services on a monthly basis and will adjust balances as necessary.

**Section III - Federal Award Findings and Questioned Costs:           None**



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

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**Ciaschi • Dietershagen • Little • Mickelson  
& Company, LLP**

*Certified Public Accountants and Consultants*

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Frederick J. Ciaschi, C.P.A.

**COUNTY OF TIOGA**

**Owego, New York**

**EXECUTIVE SUMMARY**

**December 31, 2007**

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**CORTLAND**

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607-753-7439  
fax 607-753-7874

**ITHACA**

401 East State Street ~ Suite 500  
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**WATKINS GLEN**

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COUNTY OF TIOGA

EXECUTIVE SUMMARY OF 2007 AUDIT REPORT AND FINDINGS

**Basic Financial Statements**

Report of Independent Auditors on Basic Financial Statements

Report of Independent Auditors on Supplemental Financial Information

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*

**Description of Report and Findings**

**Unqualified opinion** on the County's financial statements for the year ended December 31, 2007.

**Unqualified report** on supplemental financial information in relation to primary audit report.

Report on the County's compliance with laws and regulations that may have a direct and material affect on the financial statements. This report identified **one significant deficiency and two material weaknesses in internal control and no material instances of noncompliance.**

Reports on the County's internal control over financial reporting based on the auditor's understanding of the internal control structure and assessment of control risk obtained as part of the audit of the basic financial statements. This report identified **no material instances of noncompliance.**

**Single Audit (OMB A-133) Report**

Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133

**Description of Report and Findings**

Report on 1) the County's internal control structure policies and procedures used in administering federal award programs; 2) compliance with general requirements of the County's federal awards; and 3) compliance with specific requirements applicable to its major federal award programs. This report identified **no instances of noncompliance and no material weaknesses.**

Report on Schedule of Expenditures of Federal Awards

**Unqualified report** on the Schedule of Expenditures of Federal Awards supplemental information in relation to the primary audit report. Federal expenditures amounted to \$15,767,794.

Auditor's Communication with Those Charged with Governance

A letter that specifically addresses certain required communications to the Board of Supervisors in accordance with professional standards - there were **no comments of concern** to be reported regarding the following:

- Planned Scope and Timing of the Audit
- Qualitative Aspects of Accounting Practices
- Difficulties Encountered in Performing the Audit
- Corrected or Uncorrected Misstatements
- Disagreements with Management
- Management Representations
- Management Consultations with Other Independent Accountants
- Other Audit Matters and Findings

## COUNTY OF TIOGA

### EXECUTIVE SUMMARY OF 2007 AUDIT

#### **AUDIT FOCUS/REPORTING OBJECTIVES:**

- 1) Financial Statements
  - \* Management's Discussion and Analysis
  - \* Government-wide Financial Statements
  - \* Fund Financial Statements
  - \* Notes to Financial Statements
  - \* Budgetary Comparison Schedules
  - \* Supplementary Information
  
- 2) Single Audit
  - \* Study and Evaluation of Internal Controls
  - \* Testing of Compliance with Laws and Regulations

#### **AUDIT APPROACH:**

- \* Preliminary Planning
- \* Consideration of Internal Control Structure
- \* Tests of Controls
- \* Tests of Compliance with Laws and Regulations
- \* Substantive Testing of Financial Information

#### **AUDIT REPORTS:**

- \* Report on Financial Statements and Schedule of Expenditures of Federal Awards
- \* Report on Internal Control over Financial Reporting and on Compliance and Other Matters
- \* Report on Compliance with Requirements Applicable to Major Programs and Internal Control over Compliance with Circular A-133

#### **UNDERSTANDING THE COUNTY'S OPERATIONS:**

- \* Services Provided
- \* Assessment of Accounting and Reporting System
- \* Nature of Activities
- \* Special Reporting Requirements
- \* Nature of Compliance Requirements
- \* Assessment of Management

#### **FACTORS AFFECTING THE SCOPE OF TESTING:**

- \* Effectiveness of Overall Financial Controls
- \* Qualifications of Key Personnel
- \* Appropriate Segregation of Duties
- \* Budget Administration
- \* Ability to Issue Timely and Accurate Financial Reports

#### **CONSIDERATION OF INTERNAL CONTROL STRUCTURE:**

- \* Ability to Demonstrate Compliance with Laws and Regulations
- \* Effectiveness of Budget Process
- \* Accuracy and Comprehensiveness of Internal Reporting
- \* Existence of Adequate Policies and Procedures

COUNTY OF TIOGA

3 YEAR FINANCIAL STATEMENT ANALYSIS

<u>GENERAL FUND</u>	<u>12/31/2007</u>	<u>12/31/2006</u>	<u>12/31/2005</u>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 6,478,455	\$ 5,730,186	\$ 6,490,494
Taxes receivable	5,344,497	4,798,459	4,284,394
Due from State and Federal	4,394,838	8,471,094	7,683,864
Other receivables	785,179	745,803	436,915
Prepaid expenses	401,913		
Due from other funds	<u>1,068,745</u>	<u>348,842</u>	<u>563,120</u>
Total Assets	<u>\$ 18,473,627</u>	<u>\$ 20,094,384</u>	<u>\$ 19,458,787</u>
<b><u>LIABILITIES</u></b>			
Accounts payable and accruals	\$ 2,017,622	\$ 2,099,123	\$ 1,995,412
Due to other governments	3,434,865	3,141,904	5,150,432
Due to other funds	469,248	1,407,780	1,071,053
Deferred revenue	<u>2,160,927</u>	<u>1,485,665</u>	<u>1,072,339</u>
Total Liabilities	<u>8,082,662</u>	<u>8,134,472</u>	<u>9,289,236</u>
<b><u>FUND BALANCE</u></b>			
Reserved for encumbrances	447,731	378,910	416,249
Reserved for other	458,032	290,775	221,207
Appropriated	4,000,000	3,400,000	1,900,000
Unreserved	<u>5,485,202</u>	<u>7,890,227</u>	<u>7,632,095</u>
Total Fund Balances	<u>10,390,965</u>	<u>11,959,912</u>	<u>10,169,551</u>
Total Liabilities and Fund Balances	<u>\$ 18,473,627</u>	<u>\$ 20,094,384</u>	<u>\$ 19,458,787</u>
<b><u>REVENUES</u></b>			
Real property taxes and tax items	\$ 18,735,668	\$ 18,098,306	\$ 18,744,516
Nonproperty tax items	16,007,800	16,967,567	15,062,135
Departmental income	6,910,370	7,323,658	7,062,674
Intergovernmental charges	581,067	978,255	946,110
Use of money and property	595,260	444,657	178,780
Fines and forfeitures	138,024	101,102	141,258
Other	709,969	193,205	280,392
State sources	8,932,542	9,071,031	9,078,168
Federal sources	<u>8,959,189</u>	<u>9,101,997</u>	<u>8,710,986</u>
Total Revenues	<u>61,569,889</u>	<u>62,279,778</u>	<u>60,205,019</u>
<b><u>EXPENDITURES</u></b>			
General governmental support	9,900,808	9,646,497	8,530,227
Education	4,214,424	4,234,407	3,701,925
Public safety	6,150,246	6,123,074	5,710,859
Public health	7,066,839	6,760,855	6,456,663
Transportation	807,844	729,181	740,602
Economic assistance and opportunity	19,670,902	20,594,140	20,400,859
Culture and recreation	212,401	227,204	219,965
Home and community service	592,107	560,764	510,516
Employee benefits	<u>7,984,333</u>	<u>8,149,241</u>	<u>7,793,966</u>
Total Expenditures	<u>56,599,904</u>	<u>57,025,363</u>	<u>54,065,582</u>
Excess of Revenues	<u>4,969,985</u>	<u>5,254,415</u>	<u>6,139,437</u>
Transfers (out)	<u>(2,456,579)</u>	<u>(3,464,054)</u>	<u>(2,311,354)</u>
Net Change in Fund Balance	<u>\$ 2,513,406</u>	<u>\$ 1,790,361</u>	<u>\$ 3,828,083</u>
Restatement of 2006 DSS Receivable	<u>\$ (4,082,353)</u>	<u>\$</u>	<u>\$</u>
<b><u>EXPENDITURES AND TRANSFERS IN OTHER FUNDS</u></b>			
Refuse and Garbage Fund	<u>\$ 1,182,692</u>	<u>\$ 1,125,716</u>	<u>\$ 1,013,187</u>
County Road Fund	<u>\$ 1,730,025</u>	<u>\$ 1,672,854</u>	<u>\$ 1,711,503</u>
Road Machinery Fund	<u>\$ 609,474</u>	<u>\$ 575,768</u>	<u>\$ 634,722</u>
Special Grant Fund	<u>\$ 628,460</u>	<u>\$ 446,898</u>	<u>\$ 656,610</u>
Capital Funds	<u>\$ 8,179,379</u>	<u>\$ 8,042,254</u>	<u>\$ 8,586,090</u>

Note: Abstracted from audited financials - See audit reports for complete information