DEFERRED COMPENSATION PLAN AND TRUST FOR EMPLOYEES OF THE COUNTY OF STEUBEN

Financial Statements as of
December 31, 2014
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

DEFERRED COMPENSATION PLAN AND TRUST FOR EMPLOYEES OF THE COUNTY OF STEUBEN

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Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

December 22, 2015

To the Deferred Compensation Committee and Plan members of the
Deferred Compensation Plan and Trust for Employees of
the County of Steuben:

Report on Financial Statements

We have audited the accompanying financial statements of the Deferred Compensation Plan and Trust for Employees of the County of Steuben (the Plan), which comprise the statement of plan net position as of December 31, 2014, and the related statement of changes in plan net position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net position as of December 31, 2014, and the changes in plan net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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(Continued)

INDEPENDENT AUDITOR'S REPORT
(Continued)

Report on Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Bonadio & Co., LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2014

The Deferred Compensation Plan and Trust for Employees of the County of Steuben (the Plan) is a plan exempt from income taxes under Section 457(b) of the Internal Revenue Code (the Code). The Plan covers the employees of Steuben County, New York (the County). The County administers the Plan and pays certain administrative expenses of the Plan. The International City Management Association Retirement Corporation (ICMA) maintains the Plan's investment contracts and provides certain administrative and record-keeping services for the Plan.

The financial statements of the Plan include the statement of plan net position, the statement of changes in plan net position and the related notes to the basic financial statements. The statement of plan net position provides information about the nature and the amounts of investments of the Plan (assets) and the obligations of the Plan (liabilities), if any, with the difference between the two reported as plan net position. The statement of changes in plan net position shows how the Plan's net position changed during the year. It accounts for all of the Plan's contributions and investment income (additions) and investment loss and benefit payments (deductions). The notes to the basic financial statements contain information that is essential to the understanding of the financial statements, such as a summary of the Plan's provisions and accounting methods and policies.

Management provides the following management's discussion and analysis (MD&A) of the Plan's financial position and activities. This overview is provided for the year ended December 31, 2014 with a comparison to December 31, 2013. The information contained in this analysis should be used by the reader in conjunction with the information contained in the audited financial statements and the notes to those financial statements, all of which follow this narrative.

FINANCIAL HIGHLIGHTS

Overview of the Financial Statements
This annual report consists of two parts, management's discussion and analysis (this section) and the basic financial statements. The statements of plan net position and changes in plan net position provide both long-term and short-term information about the Plan's overall financial status.

Financial Statements
The Plan's financial statements are prepared in conformity with accounting principles generally accepted in the United States as set forth by the Governmental Accounting Standards Board for proprietary funds.

FINANCIAL HIGHLIGHTS (Continued)

The following summary tables provide information regarding the Plan's net position at December 31, 2014 and 2013, followed by the changes therein.

Plan Net Position

	2014	2013
INVESTMENTS		
Investment contract with insurance company, at contract value:		
Balanced/Asset allocation funds	$ 8,514,619	$ 7,778,335
United States mutual funds	6,209,349	5,826,377
Stable value/cash management funds	3,876,953	4,215,956
Bond funds	921,237	910,226
International/global stock funds	798,358	858,233
Real estate investment trust	692,600	530,510
Total investments	21,013,116	20,119,637
NET POSITION – RESTRICTED FOR PENSION BENEFITS	$ 21,013,116	$ 20,119,637

Changes in Plan Net Position

	2014	2013
Total additions	$ 2,578,950	$ 4,144,156
Total deductions	(1,685,471)	(559,226)
CHANGE IN NET POSITION – RESTRICTED FOR PENSION BENEFITS	893,479	3,584,930
NET POSITION – RESTRICTED FOR PENSION BENEFITS – beginning of year	20,119,637	16,534,707
NET POSITION – RESTRICTED FOR PENSION BENEFITS – end of year	$ 21,013,116	$ 20,119,637

Financial Analysis

During the 2014 plan year, the Plan's net position increased by $893,479, which includes unrealized appreciation in the value of the Plan's investments of $1,156,852, that is, the difference between the value of the Plan's investments at the end of the year and the value of the investments at the beginning of the year or the cost of investments acquired during the year. This is reported as "net investment gain" on the financial statements. During the 2014 plan year, the Plan also had total Plan member contributions of $1,422,098. Total deductions were $1,685,471, which included benefits paid to Plan members of $1,679,773.

During the 2013 plan year, the Plan's net position increased by $3,584,930, which includes unrealized appreciation in the value of the Plan's investments of $2,917,070, that is, the difference between the value of the Plan's investments at the end of the year and the value of the investments at the beginning of the year or the cost of investments acquired during the year. This is reported as "net investment gain" on the financial statements. During the 2013 plan year, the Plan also had total Plan member contributions of $1,227,086. Total deductions were $559,226, which included benefits paid to Plan members of $554,828.

Financial Analysis (Continued)
Benefits under the Plan are provided through a trust fund. There were approximately 560 and 540 participants in the Plan as of December 31, 2014 and 2013, respectively.

Request for Information
This financial report is designed to provide a general overview of the Plan's finances. Questions concerning any of the information provided in this report or to request additional information should be addressed in writing to the Commissioner of Finance of the County of Steuben, New York, 3 East Pulteney Square, Bath, New York 14810.

DEFERRED COMPENSATION PLAN AND TRUST FOR EMPLOYEES OF THE COUNTY OF STEUBEN

STATEMENT OF PLAN NET POSITION
DECEMBER 31, 2014

INVESTMENTS	
Investment contract with insurance company, at contract value:	
Balanced/Asset allocation funds	$ 8,514,619
United States mutual funds	6,209,349
Stable value/Cash Management Funds	3,876,953
International/Global Stock Funds	798,358
Bond funds	921,237
Real estate investment trust	692,600
Total investments	21,013,116
NET POSITION - RESTRICTED FOR PENSION BENEFITS	$ 21,013,116

The accompanying notes are an integral part of these statements.

DEFERRED COMPENSATION PLAN AND TRUST FOR EMPLOYEES OF THE COUNTY OF STEUBEN

STATEMENT OF CHANGES IN PLAN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2014

ADDITIONS:	
Plan member contributions	$ 1,422,098
Net investment gain	1,156,852
Total additions	2,578,950
DEDUCTIONS:	
Benefits paid to Plan members	1,679,773
Contract fees	5,698
Total deductions	1,685,471
CHANGE IN NET POSITION - RESTRICTED FOR PENSION BENEFITS	893,479
NET POSITION - RESTRICTED FOR PENSION BENEFITS beginning of year	20,119,637
NET POSITION - RESTRICTED FOR PENSION BENEFITS end of year	$ 21,013,116

The accompanying notes are an integral part of these statements.

1. DESCRIPTION OF PLAN

The following description of the Deferred Compensation Plan and Trust for Employees of the County of Steuben (the Plan) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

General
The Plan covers the employees of Steuben County, New York (the County). The Plan is exempt from income taxes under Section 457(b) of the Internal Revenue Code (the Code). There were 562 participants in the Plan as of December 31, 2014.

Administration
The Plan is administered by the Deferred Compensation Committee of the County. The International City Management Association Retirement Corporation (ICMA) maintains the Plan's investment contracts and provides certain administrative and record-keeping services to the Plan. The assets of the Plan are held in an ICMA Retirement Trust.

Eligibility
Employees are eligible to participate in the Plan upon commencement of employment with the County.

Contributions
The Plan provides for tax-deferred participant contributions for a maximum contribution equal to the lesser of 100% of the participant's compensation for the plan year or the maximum amount permitted by Section 457(e)(15) of the Code which was $17,500 in 2014.

In addition, the Plan contains certain "catch-up" provisions that allow participants to make additional contributions to the Plan for the three years prior to that participant's normal retirement age. Under these provisions, eligible participants were able to contribute up to $35,000 in 2014.

Employees maintain full discretion and control over the direction of their investment elections. The Plan does not provide for employer contributions.

Administrative Expenses
Under the terms of their agreement, ICMA reimburses the Plan Sponsor, the County, for certain administrative expenses.

Participant Accounts
Each participant's account is credited with participant contributions and actual earnings/losses thereon. Participant accounts are reduced by participant withdrawals. Contract fees paid by the Plan are allocated as a reduction of the participant's account.

1. DESCRIPTION OF PLAN (Continued)

Vesting
Since the Plan does not accept employer contributions, participants are immediately vested in their account balances.

Benefit Payments
The Plan provides for benefit payments upon either the termination of employment or the attainment of the age of 70½.

Unforeseeable Emergency Withdrawals
The Plan allows for unforeseeable emergency withdrawals under certain circumstances in accordance with the regulations promulgated under Section 457 of the Code.

Plan Termination
Although it has not expressed any intent to do so, the County may discontinue the Plan at any time subject to the provisions of Federal and New York State laws. In the event of Plan termination, the County shall not permit any further deferrals of compensation and all amounts previously deferred shall be payable to participants as provided by the Plan document.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
The Plan's financial statements are prepared in conformity with accounting principles generally accepted in the United States as set forth by the Governmental Accounting Standards Board.

Benefit Payments
Benefit payments are recorded when paid.

Contract with ICMA
The Plan has an investment contract with ICMA, who maintains participant contributions in bonds, stocks, and various mutual funds. These accounts are credited with actual earnings or losses on the underlying investments. The contract provides a liquidity guarantee for liquidations, transfers or hardship withdrawals initiated by Plan participants without incurring a settlement charge to remove their funds from the Plan. Therefore, the contract is considered fully benefit-responsive and is included in the financial statements at contract value as reported to the Plan by ICMA. Contract value represents contributions made under contract, plus investment earnings or losses, less benefit payments. Therefore, no adjustment to contract value from fair value for fully benefit-responsive investment contracts is presented on the statement of Plan net position at December 31, 2014.

The average yield earned on the entire contract for the year ended December 31, 2014 was 5.51%.

The Plan invests in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. INVESTMENTS

The Plan's investment options include primarily bonds, stocks, and mutual funds.

The following table presents the fair value of Plan investments representing 5% or more of the Plan's net position at December 31, 2014:

	2014
VantageTrust PLUS Fund	$ 3,866,088
Vantagepoint Model Portfolio Trade Growth	2,158,502
Vantagepoint Model Portfolio Long-Term Growth	1,996,064
Vantagepoint Growth	1,196,840
	9,217,494
Other investments, individually less than 5%	11,795,622
	$ 21,013,116

4. CONCENTRATION AND RELATED PARTY TRANSACTIONS

The Plan's investment contract with ICMA represents approximately 100% of the Plan's net position for benefits at December 31, 2014.

5. INCOME TAX STATUS

The Plan obtained its latest determination letter on September 15, 2011, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. The Plan has been amended since receiving the determination letter. However, the Plan administrator and the Plan's tax counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code.

6. IMPACT OF FUTURE GASB PRONOUNCEMENTS

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application.* The objective of this Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Plan is required to adopt the provisions of this Statement for the year ending December 31, 2016. The Plan's management has not yet assessed the impact of this statement on its future financial statements.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related* Assets *That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* and amends certain provisions of Statement No. 67 *Financial Reporting for Pension Plans.* The objective of this Statement is to improve the usefulness of information about pensions included in general purpose external financial reports of state and local governments for making decisions and accessing accountability. This Statement establishes requirements for defined contribution plans and defined benefit pensions not within the scope of Statement 68, *Accounting and Financial Reporting for Pensions*, as well as, assets accumulated for the purpose of providing for those pensions. Statement 73 also clarifies the application of certain provisions of Statements 67 and 68 with regards to information required to be presented in the notes, accounting and financial information reporting for separately financed specific liabilities and the timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation. The Plan is required to adopt the provisions of this Statement for the year ending December 31, 2017. The Plan's management has not yet assessed the impact of this statement on its future financial statements.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* which supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* paragraphs 64, 74, and 82. Statement No. 76 reduces the number of categories of authoritative generally accepted accounting principles (GAAP) hierarchy and the framework for selecting those principles to two categories. The primary category "Category A" will consist of officially established GASB Statements and GASB Interpretations heretofore issued and currently in effect. The second category "Category B" will consist of GASB Technical Bulletins, GASB Implementation Guides when presented in the form of a *Comprehensive Implementation Guide*, and literature of the AICPA cleared by the GASB. The goal of Statement No. 76 is to help governments apply financial reporting guidance with less variability, therefore improving usefulness and comparability of financial statement information among state and local governments. The Plan is required to adopt the provisions of Statement No. 76 for the year ending December 31, 2016, and should be adopted retroactively, with early adoption permitted. The Plan's management has not yet assessed the impact of this statement on its future financial statements.