

CHEMUNG COUNTY NEW YORK

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT



FOR THE YEAR ENDED DECEMBER 31, 2005

Joseph E. Sartori CPA
County Treasurer

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Deputy County Treasurer

**COUNTY OF CHEMUNG - STATE OF NEW YORK
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DECEMBER 31, 2005**

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INDEPENDENT AUDITORS' REPORT

To the Board of Legislators
County of Chemung
State of New York
Elmira, New York

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Chemung, State of New York, as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the County of Chemung, State of New York (the County). Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Chemung County Nursing Facility, an enterprise fund of the County, which represent 3.97 percent, .19 percent, and 8.69 percent, respectively, of the assets, net assets, and revenues of the government-wide totals. We did not audit the financial statements of the Chemung County Transit System, which is accounted for as a department of the General Fund of the County. We did not audit the financial statements of the Steele Memorial Library, a component unit of the County, which represents eighty-seven percent of the assets of the combined component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Chemung County Nursing Facility, the Chemung County Transit System, and the Steele Memorial Library, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Chemung, State of New York, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the County has begun retroactively reporting major general infrastructure assets as allowed by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended and interpreted, as of December 31, 2005.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2006, on our consideration of County of Chemung, State of New York's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 budgetary comparison information on pages 3 through 9, and 46, are not required parts 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 supplementary information. However, we did not audit the information and express no opinion on it.

Camevale Miles Whitney + Davis, P.C.

Elmira, New York
November 22, 2006

**CHEMUNG COUNTY- STATE OF NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

INTRODUCTION

Our discussion and analysis of Chemung County's (the County) financial performance provides an overview of the County's financial activities for the fiscal year ended December 31, 2005. It also provides a description and understanding of the various financial statements and other financial and statistical information contained herein. Please read it in conjunction with the County's basic financial statements.

FINANCIAL HIGHLIGHTS

- The County's net assets on the government-wide statements total \$77,013,768, an increase of \$8,554,464 from the restated 2004 balance of \$68,459,304. The unrestricted net assets were \$11,949,104, the invested in capital net of related debt was \$69,470,242 and (\$4,405,578) was restricted as of December 31, 2005.
- The governmental "Current Ratio", which is an indicator of liquidity, is 1.39 and 1.05 as of December 31, 2005 and 2004 respectively.
- Governmental activities increased the County's net assets by \$9,948,587 or 13.76% in 2005 compared with an increase of 68.09% in 2004.
- Operating Grants and aid were 29.24% of the total governmental revenue.
- Business type net assets decreased \$1,394,123 or 36.24% from December 31, 2005 to December 31, 2004.
- The beginning net asset balance of governmental activities were restated as follows:
 - To record infrastructure \$26,637,849
 - To record prior receipts of Federal Aviation Administration restricted revenues.
- The beginning net asset balance of business-type activities was restated by (\$5,847,404) to conform with a change in accounting principal resulting from Technical Bulletin No. 2004-1.

COMPONENTS OF THE ANNUAL REPORT

This annual report contains a series of financial statements, notes and other required supplemental information. The Statement of Net Assets and the Statement of Activities on pages 10 and 11 are the government-wide financial statements and are intended to provide information about the County as a whole. These statements provide a long-term view of the County's finances in a manner similar to private sector companies. The fund financial statements starting on page 12 report the County's operations in more detail and in a more traditional manner. These statements illustrate how services were financed, for the most significant funds, in the short term as well as what remains for future spending. The notes to the financial statements contain information required to properly interpret the information in the financial statements and are therefore an integral part of this report.

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

THE STATEMENT OF NET ASSETS presents information on all of the County's assets and liabilities, with the differences reported as net assets. Comparison of the change in net assets over time could be useful as an indicator of the County's overall economic condition.

Net assets are classified into three components as follows:

Invested in Capital Assets net of related debt-This amount consists of capital assets, including net of accumulated depreciation and reduced by outstanding debt.

Restricted Net Assets-This amount is restricted by external creditors, grantors, contributors or laws or or regulations of other governments.

Unrestricted Net Assets-This amount is all net assets that are not Invested in Capital Assets or Restricted Net Assets.

COMPONENTS OF THE ANNUAL REPORT (Continued)

GOVERNMENTAL FUND FINANCIAL STATEMENTS (Continued):

**CHEMUNG COUNTY- STATE OF NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

THE STATEMENT OF ACTIVITIES illustrates the changes in net assets over the course of the fiscal year. The Statement of Activities presents the results of transactions based on when transactions occurred and not when cash is received or expended. This full accrual methodology is a departure from the more traditional modified cash basis used in fund accounting. It is also the generally accepted method used in the private sector.

The government-wide financial statements distinguish functions between governmental activities and business type activities. Governmental activities are those activities supported primarily through taxes or other government support. Business type activities are those activities funded through fees or other charges specifically related to the provision of goods or services.

THE FUND FINANCIAL STATEMENTS provide detailed information about individual funds and not the County as a whole. A fund is a fiscal or accounting entity with a self-balancing set of accounts used to maintain control over assets segregated for specific activities or objectives.

Governmental funds account for essentially the same functions as are accounted for in the governmental activities in the government-wide financial statements. However, the governmental fund financial statements focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This comparison could give the reader an understanding of the long-term impact of the government's short term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund equity provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Chemung County maintains nine distinct governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund equity for the general and capital projects funds which are the County's only major funds as defined by Governmental Accounting Standards Board Statement No. 34. Data from Solid Waste, County Road, Road Machinery, Sewer, Library, Worker's Compensation and Health Insurance funds are included elsewhere in this report.

Chemung County adopts an annual budget for its governmental funds. Budgetary comparison statements have been provided for the general fund and for each individual fund to demonstrate compliance with this budget.

The Chemung County Nursing Facility is the only proprietary fund operated by Chemung County. The Nursing Facility is an enterprise fund and is presented as a business-type activity in the government-wide financial statements.

Fiduciary funds are used to account for resources held by the County for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the assets are not available to support County programs. The accounting for fiduciary funds is similar to that of proprietary funds.

OTHER FINANCIAL INFORMATION:

RECONCILIATION BETWEEN GOVERNMENT-WIDE AND FUND STATEMENTS provide a crosswalk between the government-wide statements and the governmental fund statements. This crosswalk reconciles the statement of net assets with the governmental fund balance sheet and the statement of activities with the statement of revenues, expenditures and changes in fund equity. This crosswalk is intended to assist the reader in understanding the transition between the long-term and current views presented by the different formats.

Some of the major differences illustrated in the reconciliation are:

- Capital assets and long-term debt included on the government wide financial statements are not presented in the governmental fund statements.
- Capital expenditures are presented as capital assets on the government wide statements and are expensed in the governmental fund statements.

COMPONENTS OF THE ANNUAL REPORT (Continued)

OTHER FINANCIAL INFORMATION (continued):

NOTES TO THE FINANCIAL STATEMENTS provide essential information with regard to the financial statements taken as a whole and are therefore essential to gain an accurate understanding of the financial position and the results of the County's operations.

**CHEMUNG COUNTY- STATE OF NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

REQUIRED SUPPLEMENTARY INFORMATION presents a budgetary comparison to demonstrate legal compliance with regard to adopting a budget and later modifications.

SUMMARY COMPARISON OF NET ASSETS

	GOVERNMENTAL ACTIVITIES			BUSINESS TYPE ACTIVITIES		
	2005	2004	CHANGE	2005	2004	CHANGE
ASSETS						
Current and other assets	\$ 36,745,460	\$ 44,621,421	\$ (7,875,961)	\$ 3,942,915	\$ 3,876,065	\$ 66,850
Capital assets, net	108,035,424	106,629,882	1,405,542	3,935,175	2,725,619	1,209,556
TOTAL ASSETS	\$ 144,780,884	\$ 151,251,303	\$ (6,470,419)	\$ 7,878,090	\$ 6,601,684	\$ 1,276,406
LIABILITIES						
Current liabilities	\$ 26,368,034	\$ 42,867,121	\$ (16,499,087)	\$ 2,986,678	\$ 1,510,767	\$ 1,475,911
Long-term liabilities	36,158,501	36,078,420	80,081	10,131,993	8,937,375	1,194,618
TOTAL LIABILITIES	62,526,535	78,945,541	(16,419,006)	13,118,671	10,448,142	2,670,529
NET ASSETS						
Invested in capital assets, net of debt	68,702,515	68,524,308	178,207	767,727	937,868	(170,141)
Restricted	984,362	903,974	80,388	(5,389,940)	(5,585,842)	195,902
Unrestricted	12,567,472	2,877,480	9,689,992	(618,368)	801,516	(1,419,884)
TOTAL NET ASSETS	82,254,349	72,305,762	9,948,587	(5,240,581)	(3,846,458)	(1,394,123)
TOTAL LIABILITIES AND NET ASSETS	\$ 144,780,884	\$ 151,251,303	\$ (6,470,419)	\$ 7,878,090	\$ 6,601,684	\$ 1,276,406

This schedule is being presented in comparative format with the current and previous year for both governmental and business type activities. The Change column indicates the net increase or (decrease) of each component of the net asset summary.

SUMMARY COMPARISON OF ACTIVITIES

	GOVERNMENTAL ACTIVITIES			BUSINESS TYPE ACTIVITIES		
	2005	2004	CHANGE	2005	2004	CHANGE
REVENUE						
Program revenue:						
Charges for services	\$ 31,130,691	\$ 28,064,972	\$ 3,065,719	\$ 14,157,033	\$ 12,582,996	\$ 1,574,037
Operating grants and contributions	43,418,537	44,040,971	(622,434)	-	-	-
Capital grants and contributions	6,970,574	9,328,452	(2,357,878)	-	-	-
General revenues:						
Property taxes	28,130,560	25,150,503	2,980,057	-	-	-
Other taxes	32,444,634	31,854,949	589,685	-	-	-
Other revenue	6,385,947	8,026,368	(1,640,421)	180,362	1,576,262	(1,395,900)
TOTAL REVENUE	148,480,943	146,466,215	2,014,728	14,337,395	14,159,258	178,137

SUMMARY COMPARISON OF ACTIVITIES (continued)

	GOVERNMENTAL ACTIVITIES			BUSINESS TYPE ACTIVITIES		
	2005	2004	CHANGE	2005	2004	CHANGE
EXPENSES						
General government	13,189,627	11,752,132	1,437,495	-	-	-
Public safety	15,482,594	15,056,364	426,230	-	-	-
Transportation	14,140,262	13,902,838	237,424	-	-	-
Health	10,285,616	9,046,409	1,239,207	15,196,179	14,646,055	550,124
Economic assistance and opportunity	66,363,525	69,103,150	(2,739,625)	-	-	-
Culture and recreation	3,533,294	3,557,031	(23,737)	-	-	-
Education	3,827,360	3,371,903	455,457	-	-	-

**CHEMUNG COUNTY- STATE OF NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Home and community services	9,447,941	1,973,058	7,474,883	-	-	-
Interest expense	2,262,137	3,021,432	(759,295)	535,339	521,107	14,232
TOTAL EXPENSES	138,532,356	130,784,317	7,748,039	15,731,518	15,167,162	564,356
Change in net assets	9,948,587	15,681,898	(5,733,311)	(1,394,123)	(1,007,904)	(386,219)
Net Assets-Beginning	72,305,762	26,932,705	45,373,057	(3,846,458)	3,122,551	(6,969,009)
Prior Period Adjustments	-	29,691,159	(29,691,159)	-	(5,961,105)	5,961,105
Net Assets-Beginning-Restated	72,305,762	56,623,864	15,681,898	(3,846,458)	(2,838,554)	(1,007,904)
Net Assets-Ending	<u>\$ 82,254,349</u>	<u>\$ 72,305,762</u>	<u>\$ 9,948,587</u>	<u>\$ (5,240,581)</u>	<u>\$ (3,846,458)</u>	<u>\$ (1,394,123)</u>

This schedule presents activity summary in comparative format with the current and previous year for both governmental and business-type activities.

FACTORS AFFECTING OVERALL FINANCIAL POSITION

Governmental Activities-During 2005 governmental activities resulted in an overall increase of net assets of \$9,948,587 which represents a 13.76% increase. The County receives revenues from varying sources. Major funding sources and their relationship to total revenue for the year are as follows:

FUNDING SOURCE	2005	2004	INCREASE (DECREASE)
	PERCENTAGE OF REVENUE	PERCENTAGE OF REVENUE	
State and Federal aid	33.94%	36.44%	-2.50%
Property tax and related items	20.17%	18.29%	1.88%
Non property tax items	20.63%	20.63%	0.00%
Departmental income	16.27%	14.65%	1.62%
Other	8.99%	9.99%	-1.00%
Total	<u>100.00%</u>	<u>100.00%</u>	<u>0.00%</u>

There was a 14% increase in real property tax in 2005 and a 6% increase in the 2005 budget. Sales tax revenues for 2005 was \$180,505 greater than in 2004. This represents a 0.62% increase over the prior year.

There was an overall decrease in Economic assistance and opportunity costs from 2004 to 2005. This decrease resulted from lower temporary assistance costs and a reduction in employee benefits.

Overall public assistance payments for 2005 and 2004 were as follows:

PROGRAM	2005	2004	DIFFERENCE	PERCENTAGE CHANGE
Temporary Assistance	\$ 4,846,689	\$ 5,472,312	\$ (625,623)	-11.43%
Safety Net	3,124,443	2,785,919	338,524	12.15%
Medicaid	20,709,934	19,714,715	995,219	5.05%
Children services	14,664,121	14,355,189	308,932	2.15%

There was an overall increase of approximately \$1,017,000 in public assistance costs in 2005. This cost was moderated by an 11.43% decrease in Temporary Assistance and by the sliding local share cap placed on Medicaid expense by the state. The state also picked up the local share of the Family Health Plus program.

Business Type Activities-During 2005 the Chemung County Nursing Facility (the Facility) had an overall decrease in net assets of \$1,590,025 which represents a 91.41% decrease. The Facility receives 94% of its revenue from patient services which were up \$696,159 or 5.53% over 2004. The increase was due primarily to increased private pay fees and greater Medicare and Medicaid reimbursement. Included in the charges for patient services are funds the Facility receives as part of additional Medicaid funding through the Inter Governmental Transfer Program. This program has been significantly curtailed due to changes in Federal regulations. The facility received \$588,579 in 2005 which was up \$98,528 or 20.1% from 2004.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The County uses fund accounting to ensure compliance with state and federal legal requirements.

Governmental Funds-The focus of the County's governmental funds is to provide information on near-term activity of expendable resources. This information is useful in assessing the County's financing requirements. Unreserved fund balance at year end is a useful measure of the County's net resources available for use in subsequent periods.

**CHEMUNG COUNTY- STATE OF NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Proprietary Fund-The Chemung County Nursing Facility is the County's only proprietary fund. At December 31, 2005 the Nursing Facility had a net fund balance of \$149,359 available for use in future periods.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets-The County's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of December 31, 2005 was \$69,470,242 which represents an increase of \$8,064 over the restated 2004 balance. The investment in capital assets includes land, land improvements, buildings, building improvements, furniture, equipment, vehicles, construction in progress and some infrastructure. Infrastructure includes highways, bridges, airport runways and sewers. These financial statements include all infrastructure constructed from 2002 to 2005 and all infrastructure except bridges constructed from 1980 to 2001. In accordance with GASB 34 all infrastructure constructed since 1980 must be included in the government wide financial statements for years beginning after June 30, 2005.

Major capital additions included significant highway and road work as well as repaving and extension of airport runways.

Long-Term Debt-The County had a total general obligation bonds payable of \$48,089,950 as of December 31, 2005. The overall long-term debt was increased \$2,372,658 from the balance of \$45,717,292 as of December 31, 2004. The County borrowed \$6,586,712 in 2005 for various capital projects.

ECONOMIC OUTLOOK AND FUTURE BUDGETS

Although industrial activity remains the economic base of the County, retail activity has increased dramatically in the past ten years. From the opening of Consumer Square retail shopping center in the mid-nineties the county route 64 corridor has seen remarkable growth in retail development. This development, along with expansion in and around the Arnot mall area, has resulted in a steady growth in sales tax revenue despite the recent soft economic conditions.

Synthes opened its new state-of-the-art facility in 2005 and plans to increase its workforce from 150 to 300 people in the near future. Schweizer Aircraft Corp. was purchased by Sikorsky Aircraft, a United Technologies company, and has committed to the construction of a new 120,000 square foot facility. Sikorsky plans to increase its workforce by up to 300 employees to build helicopters and drone aircraft under various military contracts. Finally, X-Gen Pharmaceuticals has built a \$20 million state-of-the-art drug manufacturing facility that is employing 75 people.

In 2005 the county entered into a long-term agreement with a private vendor to operate the landfill and material recycling facility. Under terms of the agreement the vendor will pay an annual fee, to the county, to operate the facilities. The vendor will also reimburse the county for payroll and related costs as well as agreed upon administrative expenses. The vendor will also assume full responsibility for all closure and post closure costs.

The additional lease revenue combined with Medicaid cost containment and declines in temporary assistance resulted in a significant improvement in the county's financial position.

GENERAL FUND BUDGET MODIFICATIONS

Budgeted appropriations were increased by \$3,463,099 from the original adopted budget. The budgetary changes are summarized as follows:

	BUDGET		
	ORIGINAL	MODIFIED	CHANGE
General government	\$ 9,871,805	10,191,621	\$ 319,816
Public safety	14,015,150	14,505,916	490,766
Transportation	4,536,101	4,536,087	(14)
Health	10,227,234	10,481,755	254,521
Economic assistance and opportunity	71,642,826	73,492,015	1,849,189
Culture and recreation	1,456,996	1,980,181	523,185
Education	3,442,427	3,442,427	-
Home and community services	717,048	742,684	25,636
Debt service	4,298,978	4,298,978	-
	<u>\$ 120,208,565</u>	<u>\$ 123,671,664</u>	<u>\$ 3,463,099</u>

- Public safety appropriations were increased to incorporate a \$370,000 Homeland Security grant to upgrade the communication systems throughout the county.

**CHEMUNG COUNTY- STATE OF NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

- The Health budget was increased to cover the additional cost of increasing the early childhood staffing in the schools.
- Appropriations for economic assistance and opportunity were increased as a result in changes in funding methodology for preventive programming. The appropriations for culture and recreation was also increased for additional preventive summer programming through the towns.

GENERAL FUND FINAL BUDGET COMPARED TO ACTUAL EXPENDITURES

Actual expenditures were \$7,322,740 less than the final budget. The budget to actual fluctuations are summarized below:

	MODIFIED BUDGET	ACTUAL EXPENDITURES	VARIANCE
General government	\$ 10,191,621	\$ 10,643,968	\$ 452,347
Public safety	14,505,916	14,799,097	293,181
Transportation	4,536,087	4,265,535	(270,552)
Health	10,481,755	9,993,260	(488,495)
Economic assistance and opportunity	73,492,015	65,564,112	(7,927,903)
Culture and recreation	1,980,181	1,862,116	(118,065)
Education	3,442,427	3,827,360	384,933
Home and community services	742,684	726,206	(16,478)
Debt service	4,298,978	4,667,270	368,292
	<u>\$ 123,671,664</u>	<u>\$ 116,348,924</u>	<u>\$ (7,322,740)</u>

- The variance in General Government actual expenses over budget resulted primarily from two factors. The assigned counsel cost for Family Court exceeded the budget by more than \$170,000 in 2005 due primarily to an unanticipated increase in assigned counsel hours billed for the year. There were also contract costs incurred in the SEQR process to expand the capacity of the landfill from 120,000 to 180,000 tons.
- Public Safety actual costs exceeded the final budget primarily as a result of additional overtime costs in the County Jail. Those costs exceeded budget by more than \$270,000 in 2005.
- Pension and employee health care actual costs were significantly lower than the modified budgeted figures for those expenditures in general government, public safety, health, economic assistance and opportunity, culture and recreation and home and community services.
- Economic assistance and opportunity expenditures are significantly lower than the budgeted figures because of a cap on the local share of Medicaid, a reduction in the number of children placed in detention and an improving economy which resulted in a reduction in the amount of social welfare payments during 2005.

GENERAL FUND FINAL BUDGET COMPARED TO ACTUAL EXPENDITURES (continued)

- Increased attendance of Chemung County residents at New York State Community Colleges resulted in a larger than anticipated local share of such expenses.

COMPONENT UNIT FINANCIAL INFORMATION

Complete financial statements of individual component units can be obtained from their respective administrative offices. Addresses for each component unit are listed in note 1 on page 26 of these financial statements.

COUNTY OF CHEMUNG - STATE OF NEW YORK
STATEMENT OF NET ASSETS
DECEMBER 31, 2005

	PRIMARY GOVERNMENT			COMPONENT UNITS	
				BUSINESS ACTIVITIES	
	GOVERNMENTAL ACTIVITIES	BUSINESS ACTIVITIES	TOTAL	GOVERNMENTAL ACTIVITIES	INDUSTRIAL DEVELOP. AGENCY
ASSETS					
CURRENT ASSETS					
Cash	\$ 5,446,153	\$ 58,733	\$ 5,504,886	\$ 480,661	\$ 287,495
Accounts receivable	6,590,089	3,807,232	10,397,321	-	812
Grant receivable	-	-	-	66,311	549,214
Taxes receivable	7,673,168	-	7,673,168	-	-
Receivable from external parties	1,179,165	-	1,179,165	-	-
State and federal receivables	13,696,327	-	13,696,327	-	-
Prepaid expenses	2,160,558	-	2,160,558	-	2,504
Current portion of reimbursement receivable	-	-	-	-	262,502
Current portion of loans receivable	-	-	-	-	113,280
Inventory of supplies, at cost	-	76,950	76,950	-	-
TOTAL CURRENT ASSETS	36,745,460	3,942,915	40,688,375	546,972	1,215,807
NON-CURRENT ASSETS					
Certificates of deposit	-	-	-	562,791	-
Investments	-	-	-	1,759,533	-
Restricted cash	-	861,953	861,953	-	4,485,502
Unamortized bond issuance costs	-	220,030	220,030	-	-
Reimbursement receivable, net of current portion	-	-	-	-	40,883
Loans receivable, net of current portion	-	-	-	-	1,373,689
CAPITAL ASSETS					
Non-depreciable capital assets	16,468,347	48,287	16,516,634	-	1,038,453
Net capital assets	91,567,077	2,804,905	94,371,982	-	165,019
TOTAL NON-CURRENT ASSETS	108,035,424	3,935,175	111,970,599	2,322,324	7,103,546
TOTAL ASSETS	\$ 144,780,884	\$ 7,878,090	\$ 152,658,974	\$ 2,869,296	\$ 8,319,353
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	\$ 3,632,556	\$ 393,022	\$ 4,025,578	\$ 45,714	\$ 411,355
Accrued liabilities	3,988,851	37,078	4,025,929	-	-
Accrued compensation	705,207	770,271	1,475,478	-	-
Accrued interest	1,047,528	-	1,047,528	-	-
Current portion, general obligation bonds payable	4,457,222	135,758	4,592,980	-	52,466
Bond anticipation notes payable	164,622	-	164,622	-	-
Internal balances	(1,338,108)	1,338,108	-	-	-
Payable to external parties	6,139,661	-	6,139,661	-	-
Due to other governments	2,883,283	-	2,883,283	-	-
Deferred revenue	4,412,212	-	4,412,212	-	-
Other liabilities	275,000	312,441	587,441	-	-
TOTAL CURRENT LIABILITIES	26,388,034	2,986,678	29,354,712	45,714	463,821
NON-CURRENT LIABILITIES					
Accrued compensated absences	-	1,000,653	1,000,653	-	-
Notes and bonds payable	34,365,630	9,131,340	43,496,970	-	1,259,154
Deferred revenue-revolving loan fund	-	-	-	-	4,485,502
Other liabilities	1,792,871	-	1,792,871	-	-
TOTAL NON-CURRENT LIABILITIES	36,158,501	10,131,993	46,290,494	-	5,744,656
TOTAL LIABILITIES	62,526,535	13,118,671	75,645,206	45,714	6,208,477
NET ASSETS					
Invested in capital assets, net of related debt	68,702,515	767,727	69,470,242	-	1,203,472
Restricted for:					
Restricted-Federal Aviation Administration	476,359	-	476,359	-	-
Capital improvements	508,003	-	508,003	-	-
Tobacco securitization	-	(5,389,940)	(5,389,940)	-	-
Unrestricted	12,567,472	(618,368)	11,949,104	2,823,582	907,404
TOTAL NET ASSETS	82,254,349	(5,240,581)	77,013,768	2,823,582	2,110,876
TOTAL LIABILITIES AND NET ASSETS	\$ 144,780,884	\$ 7,878,090	\$ 152,658,974	\$ 2,869,296	\$ 8,319,353

The accompanying notes are an integral part of these financial statements.

COUNTY OF CHEMUNG - STATE OF NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

	PROGRAM REVENUES						COMPONENT UNITS		
	EXPENSES	CHARGES	OPERATING	CAPITAL	GOVERNMENTAL	BUSINESS TYPE	TOTAL	GOVERNMENTAL	BUSINESS-TYPE
		FOR	GRANTS AND	GRANTS AND				COMPONENT	COMPONENT
	SERVICES	CONTRIBUTIONS	CONTRIBUTIONS		ACTIVITIES	ACTIVITIES	UNITS	UNITS	
<u>FUNCTIONS / PROGRAMS</u>									
GOVERNMENTAL ACTIVITIES									
General government support	\$ 13,189,627	\$ 13,347,525	\$ 1,154,514	\$ -	\$ 1,312,412	\$ -	\$ 1,312,412	\$ -	\$ -
Public safety	15,482,594	1,636,372	1,050,716	-	(12,795,506)	-	(12,795,506)	-	-
Transportation	14,140,262	2,815,256	-	6,970,574	-	-	(4,354,432)	-	-
Health	10,285,616	3,077,619	4,934,499	-	(2,273,498)	-	(2,273,498)	-	-
Economic assistance and opportunity	66,363,525	3,980,073	35,263,640	-	(27,119,812)	-	(27,119,812)	-	-
Culture and recreation	3,533,294	851,714	853,296	-	(1,828,284)	-	(1,828,284)	-	-
Education	3,827,360	-	-	-	(3,827,360)	-	(3,827,360)	-	-
Home and community services	9,447,941	5,422,132	161,872	-	(3,863,937)	-	(3,863,937)	-	-
Interest expense on long-term debt	2,262,137	-	-	-	(2,262,137)	-	(2,262,137)	-	-
TOTAL GOVERNMENTAL ACTIVITIES	138,532,356	31,130,691	43,418,537	6,970,574	(57,012,554)	-	(57,012,554)	-	-
BUSINESS TYPE ACTIVITIES									
Chemung County Nursing Facility	15,217,381	14,157,033	-	-	-	(1,060,348)	(1,060,348)	-	-
Chemung County Tobacco Asset Securitization Corp.	514,137	-	-	-	-	(514,137)	(514,137)	-	-
TOTAL BUSINESS TYPE ACTIVITIES	15,731,518	14,157,033	-	-	-	(1,574,485)	(1,574,485)	-	-
TOTAL PRIMARY GOVERNMENT	\$ 154,263,874	\$ 45,287,724	\$ 43,418,537	\$ 6,970,574	(57,012,554)	(1,574,485)	(58,587,039)	-	-
COMPONENT UNITS									
Business-Type Activities	\$ 1,091,305	\$ -	\$ 1,081,814	\$ -	-	-	-	-	(9,491)
Combined Governmental-Type Activities	3,125,091	86,566	3,162,407	-	-	-	-	123,882	-
TOTAL COMPONENT UNITS	\$ 4,216,396	\$ 86,566	\$ 4,244,221	\$ -	-	-	-	123,882	(9,491)
GENERAL REVENUES:									
TAXES									
Real property tax					28,130,560	-	28,130,560	-	-
Real property tax items					1,819,697	-	1,819,697	-	-
Non-property tax items					30,624,937	-	30,624,937	-	-
OTHER									
Interest and earnings					649,703	712,439	1,362,142	73,710	55,546
Rental of real property, equipment and books					-	-	-	8,865	-
Gain on disposition of assets					3,228,641	-	3,228,641	-	124,991
Miscellaneous sources					1,977,926	-	1,977,926	-	-
Intergovernmental transfers					529,677	(529,677)	-	-	-
Fines and fees					-	-	-	37,688	-
Other revenue					-	-	-	(30,292)	-
Unrealized gain (loss)					-	(2,400)	(2,400)	-	-
TOTAL GENERAL REVENUES					66,961,141	180,362	67,141,503	89,971	180,537
CHANGES IN NET ASSETS					9,948,587	(1,394,123)	8,554,464	213,853	171,046
Net Assets-Beginning of Year					45,271,942	2,000,946	47,272,888	2,609,729	1,939,830
Prior Period Adjustments					27,033,820	(5,847,404)	21,186,416	-	-
Net Assets-Beginning of Year-Restated					72,305,762	(3,846,458)	68,459,304	2,609,729	1,939,830
Net Assets-End of Year					\$ 82,254,349	\$ (5,240,581)	\$ 77,013,768	2,823,582	\$ 2,110,876

The accompanying notes are an integral part of these financial statements.

**COUNTY OF CHEMUNG - STATE OF NEW YORK
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	GENERAL FUND	CAPITAL PROJECTS FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
CURRENT ASSETS				
Cash	\$ 1,205,439	\$ 3,819,887	\$ 415,035	\$ 5,440,361
Accounts receivable	3,455,460	110,802	1,130,033	4,696,295
Taxes receivable	7,673,168	-	-	7,673,168
Due from other funds	9,358,843	1,324,759	4,499,330	15,182,932
Receivable from external parties	1,179,165	-	-	1,179,165
State and federal receivables	12,694,110	844,809	153,822	13,692,741
Prepaid expenses	-	-	2,160,556	2,160,556
	\$ 35,566,185	\$ 6,100,257	\$ 8,358,776	\$ 50,025,218
TOTAL ASSETS				
	\$ 35,566,185	\$ 6,100,257	\$ 8,358,776	\$ 50,025,218
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	\$ 2,865,735	\$ 467,958	\$ 294,367	\$ 3,628,060
Accrued liabilities	1,373,784	141,031	316,249	1,831,064
Revenue and bond anticipation notes	-	164,622	-	164,622
Due to other governments	2,348,873	-	2,396	2,351,269
Due to other funds	11,625,572	998,055	2,641,522	15,265,149
Payable to external parties	6,139,660	-	-	6,139,660
Deferred revenue	4,412,212	-	-	4,412,212
	28,765,836	1,771,666	3,254,534	33,792,036
TOTAL LIABILITIES				
	28,765,836	1,771,666	3,254,534	33,792,036
FUND EQUITY				
Reserved fund balance				
Special purposes	3,180,488	-	-	3,180,488
Capital projects	-	508,003	-	508,003
Unreserved-designated fund balance	-	-	-	-
Unreserved-undesignated fund balance	3,619,861	3,820,588	-	7,440,449
Unreserved-undesignated fund balance - reported in:				
Special revenue funds	-	-	3,950,522	3,950,522
Debt Service	-	-	1,153,720	1,153,720
	6,800,349	4,328,591	5,104,242	16,233,182
TOTAL FUND BALANCE				
	6,800,349	4,328,591	5,104,242	16,233,182
TOTAL LIABILITIES AND FUND EQUITY				
	\$ 35,566,185	\$ 6,100,257	\$ 8,358,776	\$ 50,025,218

The accompanying notes are an integral part of these financial statements.

COUNTY OF CHEMUNG - STATE OF NEW YORK
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2005

Total Governmental Fund Balance \$ 16,233,182

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported on the fund balance sheet. Those assets consist of:

Land	\$ 15,710,890	
Land improvements	1,030,722	
Infrastructure	62,197,080	
Buildings and improvements	54,641,853	
Furniture, Vehicles and Equipment	22,030,196	
Construction in progress	<u>757,457</u>	
TOTAL CAPITAL ASSETS	156,368,198	
Less: Accumulated Depreciation	<u>(48,332,774)</u>	108,035,424

Liabilities not due and payable in the current period are not reported in the fund balance sheet. Those liabilities consist of:

Accrued compensated absences	(2,498,078)	
Accrued Group Health Liability	(275,000)	
Installment debt due to other government	(532,009)	
Accrued interest payable	(1,047,528)	
General obligation bonds payable	<u>(38,822,852)</u>	(43,175,467)

Internal service funds are used to allocate collective costs across funds. The assets and liabilities of these internal services funds are included in the governmental activity statement of net assets but not in the governmental fund balance. The net balance of those internal service funds are as follows:

Workers Compensation Fund	947,276	
Self-Insurance Fund	<u>\$ 213,934</u>	1,161,210

Net Assets of Governmental Activities \$ 82,254,349

The accompanying notes are an integral part of these financial statements.

COUNTY OF CHEMUNG - STATE OF NEW YORK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	GENERAL FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Real property taxes	\$ 24,849,518	\$ -	\$ 3,281,043	\$ 28,130,561
Real property tax items	1,819,697	-	-	1,819,697
Non-property taxes	30,624,937	-	-	30,624,937
Departmental income	16,144,126	-	6,037,360	22,181,486
Federal aid	21,000,906	3,357,322	385,199	24,743,427
State aid	23,853,231	548,153	1,244,300	25,645,684
Intergovernmental revenue	4,509,201	110,801	286,802	4,906,804
Use of money and property	573,168	-	789,117	1,362,285
Sale of property and compensation for loss	1,113,698	-	1,314,845	2,428,543
Licenses and permits	5,148	-	8,145	13,293
Fines and forfeitures	300,299	-	-	300,299
Miscellaneous revenue	1,717,484	7,004	53,860	1,778,348
Total Revenue	126,511,413	4,023,280	13,400,671	143,935,364
EXPENDITURES				
General government	10,643,968	935,957	-	11,579,925
Public safety	14,799,097	603,168	-	15,402,265
Transportation	4,265,535	5,831,912	5,992,656	16,090,103
Health	9,993,260	-	-	9,993,260
Economic assistance and opportunity	65,564,112	-	-	65,564,112
Culture and recreation	1,862,116	-	1,726,089	3,588,205
Education	3,827,360	-	-	3,827,360
Home and community services	726,206	767	7,500,904	8,227,877
Debt service	4,667,270	-	1,697,272	6,364,542
Total Expenditures	116,348,924	7,371,804	16,916,921	140,637,649
Excess (Deficiency) of Revenues Over Expenditures	10,162,489	(3,348,524)	(3,516,250)	3,297,715
OTHER FINANCING SOURCES (USES)				
Proceeds from obligations	-	5,234,718	-	5,234,718
Operating transfers in	911,746	37,370	4,891,741	5,840,857
Operating Transfers out	(5,120,741)	(153,069)	(37,370)	(5,311,180)
Total Other Financing Sources (Uses)	(4,208,995)	5,119,019	4,854,371	5,764,395
Excess (Deficit) of Revenue and Other Sources Over Expenditures and Other Uses	5,953,494	1,770,495	1,338,121	9,062,110
Fund Equity-Beginning of Year	450,884	2,558,096	3,766,121	6,775,101
Prior Period Adjustments	395,971	-	-	395,971
Fund Equity-Beginning of Year-Restated	846,855	2,558,096	3,766,121	7,171,072
Fund Equity-End of Year	\$ 6,800,349	\$ 4,328,591	\$ 5,104,242	\$ 16,233,182

The accompanying notes are an integral part of these financial statements.

**COUNTY OF CHEMUNG - STATE OF NEW YORK
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY
FOR GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005**

Net Change in Fund Equity-Total Governmental Funds \$ 9,062,110

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital expenditures as expenditures whereas in the statement of activities they are recorded as assets and depreciated over their estimated useful lives. In the current period the capital expenditures and depreciation were as follows:

Capital expenditures	7,855,553	
Depreciation expense	<u>(5,779,583)</u>	2,075,970

Governmental funds report only the proceeds received from the disposal of assets. In the statement of activities, a gain or loss is reported for each disposal. This is the loss on the disposal of fixed assets: (670,428)

Some expenses reported in the Statement of Activities, such as changes in long-term liabilities, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Compensated absences payable	233,812	
Group Health Liability	250,000	
Due to other government	<u>(21,960)</u>	461,852

Receipt of bond proceeds is a revenue in the governmental funds, but the receipt increases the liabilities in the Statement of Net Assets (5,230,023)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets 4,002,693

Internal service funds are used by management to charge the costs of insurance to individual funds. The net revenue (expense) of the internal service fund is reported with the governmental activities. 151,393

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding obligations on the Statement of Activities 95,020

Changes in Net Assets of Governmental Activities \$ 9,948,587

The accompanying notes are an integral part of these financial statements.

**COUNTY OF CHEMUNG - STATE OF NEW YORK
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2005**

	ENTERPRISE FUNDS			
	CHEMUNG		TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
	NURSING FACILITY	TOBACCO ASSET SECURITIZATION CORPORATION		
<u>ASSETS</u>				
CURRENT ASSETS				
Cash and securities	\$ 10,900	\$ 47,833	\$ 58,733	\$ 5,792
Accounts receivable	3,145,355	661,877	3,807,232	1,893,795
State and federal receivables	-	-	-	3,586
Due from other funds	-	-	-	8,978,483
Inventory of supplies, at cost	76,950	-	76,950	-
TOTAL CURRENT ASSETS	3,233,205	709,710	3,942,915	10,881,656
NON-CURRENT ASSETS				
Restricted cash	-	861,953	861,953	-
Unamortized bond issuance costs	-	220,030	220,030	-
CAPITAL ASSETS				
Non-depreciable capital assets	48,287	-	48,287	-
Net capital assets	2,804,905	-	2,804,905	-
TOTAL NON-CURRENT ASSETS	2,853,192	1,081,983	3,935,175	-
TOTAL ASSETS	\$ 6,086,397	\$ 1,791,693	\$ 7,878,090	\$ 10,881,656
<u>LIABILITIES</u>				
CURRENT LIABILITIES				
Accounts payable	\$ 393,022	\$ -	\$ 393,022	\$ 4,500
Accrued liabilities	37,078	-	37,078	2,157,788
Accrued compensation and related liabilities	770,271	-	770,271	-
Current portion, notes and bonds payable	135,758	-	135,758	-
Due to other funds	1,338,108	-	1,338,108	7,558,158
Due to third party payors	312,441	-	312,441	-
TOTAL CURRENT LIABILITIES	2,986,678	-	2,986,678	9,720,446
NON-CURRENT LIABILITIES				
Workers' compensation benefits	1,000,653	-	1,000,653	-
Notes and bonds payable	1,949,707	7,181,633	9,131,340	-
TOTAL NON-CURRENT LIABILITIES	2,950,360	7,181,633	10,131,993	-
TOTAL LIABILITIES	5,937,038	7,181,633	13,118,671	9,720,446
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	767,727	-	767,727	-
Restricted	-	(5,389,940)	(5,389,940)	-
Unrestricted	(618,368)	-	(618,368)	1,161,210
TOTAL NET ASSETS	149,359	(5,389,940)	(5,240,581)	1,161,210
TOTAL LIABILITIES AND NET ASSETS	\$ 6,086,397	\$ 1,791,693	\$ 7,878,090	\$ 10,881,656

The accompanying notes are an integral part of these financial statements.

**COUNTY OF CHEMUNG - STATE OF NEW YORK
STATEMENT OF ACTIVITIES
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	ENTERPRISE FUNDS			INTERNAL SERVICE FUNDS
	NURSING FACILITY	CHEMUNG TOBACCO ASSET SECURITIZATION CORPORATION	TOTAL ENTERPRISE FUNDS	
OPERATING REVENUES				
Charges for services	\$ 13,279,155	\$ -	\$ 13,279,155	\$ 13,311,104
Other revenue	877,878	-	877,878	199,577
Investment income	-	712,439	712,439	-
Unrealized gain	-	(2,400)	(2,400)	-
TOTAL OPERATING REVENUE	14,157,033	710,039	14,867,072	13,510,681
OPERATING EXPENSES				
Personal services	6,906,782	-	6,906,782	-
Employee benefits	3,009,154	-	3,009,154	12,196,730
Contractual expenses	4,648,880	20,712	4,669,592	-
Depreciation	237,171	-	237,171	-
Bond amortization expense	-	15,676	15,676	-
Indirect expense	229,000	-	229,000	-
Interest expense	-	477,749	477,749	-
Workers' compensation benefits	128,804	-	128,804	1,162,556
TOTAL OPERATING EXPENSES	15,159,791	514,137	15,673,928	13,359,286
OPERATING INCOME (LOSS)	(1,002,758)	195,902	(806,856)	151,395
NON-OPERATING REVENUE (EXPENSES)				
Investment income	-	-	-	-
Intergovernmental transfer payment	(529,677)	-	(529,677)	-
Interest expense	(57,590)	-	(57,590)	-
TOTAL NON-OPERATING REVENUE (EXPENSES)	(587,267)	-	(587,267)	-
CHANGES IN NET ASSETS	(1,590,025)	195,902	(1,394,123)	151,395
Net Assets-Beginning of Year	1,739,384	261,562	2,000,946	1,009,815
Prior Period Adjustments	-	(5,847,404)	(5,847,404)	-
Net Assets-Beginning of Year-Restated	1,739,384	(5,585,842)	(3,846,458)	1,009,815
Net Assets-End of Year	\$ 149,359	\$ (5,389,940)	\$ (5,240,581)	\$ 1,161,210

The accompanying notes are an integral part of these financial statements.

COUNTY OF CHEMUNG - STATE OF NEW YORK
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	ENTERPRISE FUND			
	NURSING FACILITY	CHEMUNG TOBACCO ASSET SECURITIZATION CORPORATION	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from services	\$ 12,532,054	\$ -	\$ 12,532,054	\$ 8,273,807
Receipts from state agency	588,579	-	588,579	-
Other receipts	289,299	-	289,299	199,577
Interest income and earnings on tobacco assets	-	50,562	50,562	-
Payments for workers' compensation benefits	-	-	-	(990,770)
Payments for goods and services	(3,419,293)	(24,920)	(3,444,213)	-
Payments to employees for services and benefits	(9,916,786)	-	(9,916,786)	(7,649,505)
Payments of tobacco bond interest	-	(471,138)	(471,138)	-
Proceeds from tobacco receipts	-	689,917	689,917	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	73,853	244,421	318,274	(166,891)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers (to) from other funds	(529,677)	-	(529,677)	-
NET CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	(529,677)	-	(529,677)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income and earnings	-	-	-	-
Increase in restricted cash and investments	-	(104,056)	(104,056)	-
NET CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	-	(104,056)	(104,056)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase and construction of capital assets	(1,360,747)	-	(1,360,747)	-
Proceeds from issuance of bonds	1,351,994	-	1,351,994	-
Payment of bond and bond anticipation note principal	(58,277)	(155,000)	(213,277)	-
Payment of bond and bond anticipation note interest	(42,039)	-	(42,039)	-
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(109,069)	(155,000)	(264,069)	-
Net Increase in Cash and Cash Equivalents	(564,893)	(14,635)	(579,528)	(166,891)
Cash and Cash Equivalents-Beginning of Year	575,793	62,468	638,261	172,683
Cash and Cash Equivalents-End of Year	<u>\$ 10,900</u>	<u>\$ 47,833</u>	<u>\$ 58,733</u>	<u>\$ 5,792</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED BY OPERATING ACTIVITIES)				
Operating Income (loss)	\$ (1,002,758)	\$ 195,902	\$ (806,856)	\$ 151,395
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:				
Depreciation and amortization	237,171	15,676	252,847	-
Unrealized gain	-	2,400	2,400	-
Consumption of discount on bonds	-	6,611	6,611	-
Changes in Assets and Liabilities:				
Patient accounts receivable	(377,137)	-	(377,137)	-
Accounts receivable	(613,891)	28,040	(585,851)	43,043
Inventory	(14,315)	-	(14,315)	-
State and federal receivables	-	-	-	2,647
Due from other funds	1,604,274	-	1,604,274	(5,082,987)
Due to other funds	-	-	-	7,528,158
Prepaid expenses	64,759	-	64,759	-
Accounts payable	(196,131)	(4,208)	(200,339)	(2,679,959)
Accrued compensation and related liabilities	127,954	-	127,954	(129,188)
Accrued liabilities	-	-	-	-
Third party payor settlements, net	243,927	-	243,927	-
Net Cash Used in Operating Activities	\$ 73,853	\$ 244,421	\$ 318,274	\$ (166,891)

The accompanying notes are an integral part of these financial statements.

COUNTY OF CHEMUNG - STATE OF NEW YORK
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2005

	<u>ASSETS</u>	<u>AGENCY</u>
CURRENT ASSETS		
Cash and cash equivalents		\$ 2,573,869
Receivable from external parties		6,139,661
TOTAL ASSETS		<u>\$ 8,713,530</u>
	<u>LIABILITIES</u>	
Accounts payable		\$ 2,328
Payable to external parties		1,179,165
Other Liabilities		7,532,037
TOTAL LIABILITIES		<u>\$ 8,713,530</u>

The accompanying notes are an integral part of these financial statements.

**COUNTY OF CHEMUNG - STATE OF NEW YORK
 COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
 DECEMBER 31, 2005**

	<u>WORKERS' COMPENSATION</u>	<u>SELF INSURANCE FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
CURRENT ASSETS			
Cash	\$ 1,128	\$ 4,664	\$ 5,792
Accounts receivable	1,841,850	51,945	1,893,795
State and federal receivables	-	3,586	3,586
Due from other funds	<u>1,035,661</u>	<u>7,942,822</u>	<u>8,978,483</u>
TOTAL CURRENT ASSETS	<u>2,878,639</u>	<u>8,003,017</u>	<u>10,881,656</u>
TOTAL ASSETS	<u>\$ 2,878,639</u>	<u>\$ 8,003,017</u>	<u>\$ 10,881,656</u>
<u>LIABILITIES</u>			
CURRENT LIABILITIES			
Accounts payable	\$ -	\$ 4,500	\$ 4,500
Accrued liabilities	1,686,092	471,696	2,157,788
Due to other funds	<u>245,271</u>	<u>7,312,887</u>	<u>7,558,158</u>
TOTAL CURRENT LIABILITIES	<u>1,931,363</u>	<u>7,789,083</u>	<u>9,720,446</u>
TOTAL LIABILITIES	<u>1,931,363</u>	<u>7,789,083</u>	<u>9,720,446</u>
<u>NET ASSETS</u>			
Unrestricted	<u>947,276</u>	<u>213,934</u>	<u>1,161,210</u>
TOTAL NET ASSETS	<u>947,276</u>	<u>213,934</u>	<u>1,161,210</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,878,639</u>	<u>\$ 8,003,017</u>	<u>\$ 10,881,656</u>

The accompanying notes are an integral part of these financial statements.

**COUNTY OF CHEMUNG - STATE OF NEW YORK
 COMBINING STATEMENT OF ACTIVITIES
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>WORKERS' COMPENSATION</u>	<u>SELF INSURANCE FUND</u>	<u>TOTAL</u>
OPERATING REVENUES			
Charges for services	\$ 1,038,374	\$ 12,272,730	\$ 13,311,104
Other revenue	<u>199,577</u>	<u>-</u>	<u>199,577</u>
TOTAL OPERATING REVENUE	<u>1,237,951</u>	<u>12,272,730</u>	<u>13,510,681</u>
OPERATING EXPENSES			
Employee health benefits	-	12,196,730	12,196,730
Workers' compensation benefits	<u>1,162,556</u>	<u>-</u>	<u>1,162,556</u>
TOTAL OPERATING EXPENSES	<u>1,162,556</u>	<u>12,196,730</u>	<u>13,359,286</u>
OPERATING INCOME	75,395	76,000	151,395
CHANGES IN NET ASSETS	75,395	76,000	151,395
Net Assets-Beginning of Year	<u>871,881</u>	<u>137,934</u>	<u>1,009,815</u>
Net Assets-End of Year	<u>\$ 947,276</u>	<u>\$ 213,934</u>	<u>\$ 1,161,210</u>

The accompanying notes are an integral part of these financial statements.

**COUNTY OF CHEMUNG - STATE OF NEW YORK
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2005**

	WORKERS' COMPENSATION	SELF INSURANCE FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from services	\$ 619,638	\$ 7,654,169	\$ 8,273,807
Payments for workers' compensation benefits	(990,770)	-	(990,770)
Payments to employees for services and benefits	-	(7,649,505)	(7,649,505)
Other receipts	199,577	-	199,577
	<u>(171,555)</u>	<u>4,664</u>	<u>(166,891)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES			
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income and earnings	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
NET CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	(171,555)	4,664	(166,891)
Cash and Cash Equivalents-Beginning of Year	172,683	-	172,683
	<u>172,683</u>	<u>-</u>	<u>172,683</u>
Cash and Cash Equivalents-End of Year	\$ 1,128	\$ 4,664	\$ 5,792
	<u>\$ 1,128</u>	<u>\$ 4,664</u>	<u>\$ 5,792</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED BY OPERATING ACTIVITIES)			
Operating income	\$ 75,395	\$ 76,000	\$ 151,395
Changes in Assets and Liabilities:			
Accounts receivable	40,770	2,273	43,043
Due from other funds	(459,506)	(4,623,481)	(5,082,987)
State and federal receivables	-	2,647	2,647
Due to other funds	215,271	7,312,887	7,528,158
Accounts payable	-	(2,679,959)	(2,679,959)
Accrued liabilities	(43,485)	(85,703)	(129,188)
	<u>(43,485)</u>	<u>(85,703)</u>	<u>(129,188)</u>
Net Cash Provided by Operating Activities	\$ (171,555)	\$ 4,664	\$ (166,891)
	<u>\$ (171,555)</u>	<u>\$ 4,664</u>	<u>\$ (166,891)</u>

The accompanying notes are an integral part of these financial statements.

**COUNTY OF CHEMUNG - STATE OF NEW YORK
 COMBINING STATEMENT OF NET ASSETS
 GOVERNMENTAL TYPE COMPONENT UNITS
 DECEMBER 31, 2005**

	STEELE MEMORIAL LIBRARY	SOIL & WATER CONSERVATION DISTRICT	TOTAL
<u>ASSETS</u>			
CURRENT ASSETS			
Cash	\$ 209,867	\$ 270,794	\$ 480,661
Grants receivable	66,311	-	66,311
TOTAL CURRENT ASSETS	276,178	270,794	546,972
NON-CURRENT ASSETS			
Certificates of deposit	562,791	-	562,791
Investments	1,759,533	-	1,759,533
TOTAL NON-CURRENT ASSETS	2,322,324	-	2,322,324
TOTAL ASSETS	\$ 2,598,502	\$ 270,794	\$ 2,869,296
<u>LIABILITIES</u>			
CURRENT LIABILITIES			
Accounts payable	\$ 45,714	\$ -	\$ 45,714
TOTAL CURRENT LIABILITIES	45,714	-	45,714
TOTAL LIABILITIES	45,714	-	45,714
<u>NET ASSETS</u>			
Unrestricted	2,552,788	270,794	2,823,582
TOTAL NET ASSETS	2,552,788	270,794	2,823,582
TOTAL LIABILITIES AND NET ASSETS	\$ 2,598,502	\$ 270,794	\$ 2,869,296

The accompanying notes are an integral part of these financial statements.

**COUNTY OF CHEMUNG - STATE OF NEW YORK
 COMBINING STATEMENT OF ACTIVITIES
 GOVERNMENTAL TYPE COMPONENT UNITS
 FOR THE YEAR ENDED DECEMBER 31, 2005**

<u>FUNCTIONS / PROGRAMS</u>	<u>PROGRAM REVENUES</u>				<u>STEELE MEMORIAL LIBRARY</u>	<u>SOIL & WATER CONSERVATION DISTRICT</u>	<u>TOTAL</u>
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>			
GOVERNMENTAL ACTIVITIES							
Steele Memorial Library	\$ 2,554,523	\$ 22,523	\$ 2,698,172	\$ -	166,172	-	166,172
Soil and Water Conservation District	570,568	64,043	464,235	-		(42,290)	(42,290)
TOTAL COMPONENT UNITS	\$ 3,125,091	\$ 86,566	\$ 3,162,407	\$ -	166,172	(42,290)	123,882
			GENERAL REVENUES:				
					70,524	3,186	73,710
					8,040	825	8,865
					37,688	-	37,688
					(68,533)	38,241	(30,292)
					47,719	42,252	89,971
					CHANGES IN NET ASSETS		
					213,891	(38)	213,853
					2,338,897	270,832	2,609,729
					\$ 2,552,788	\$ 270,794	\$ 2,823,582

The accompanying notes are an integral part of these financial statements.

CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL REPORTING ENTITY

The County of Chemung, New York was incorporated by act of the State Legislature on March 29, 1836. The County operates under a charter adopted by the County Board of Supervisors under local law number 3 in 1973 and effective January 1, 1974. Under the charter, the position of County Executive was established. The Executive is elected to a four year term and is responsible for overall county operations. The charter also established a County legislature consisting of fifteen members, each elected to four year terms. The Legislature is responsible for adopting a budget, approving amendments to the budget, enacting local laws and approving tax rates.

The County provides the following basic services: educational assistance, economic assistance, highway construction, and maintenance, law enforcement, traffic safety, emergency management services, parks, youth, and aging services, mental health, public health, and environmental control. All governmental activities and functions performed for the County of Chemung are its direct responsibility.

The financial reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements of the County are not misleading. The primary government for the County consists of all funds, departments, boards, and agencies that are not legally separate from the County.

In evaluating the County as a reporting entity, management has included all component units in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, "Defining the Financial Reporting Entity". The decision to include a potential component unit in the County's reporting entity is based on several criteria set forth in GASB No. 14 including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities considered in determining the County of Chemung reporting entity.

Chemung County Industrial Development Agency (IDA) (the Agency) is a Public Benefit Corporation created by state legislation to promote industrial and economic welfare for County inhabitants. Agency members are appointed by the County Legislature; however these members have sole control over the management and operation of the agency. Agency finances are generally restricted to amounts generated by project revenue bonds and such bonds are only secured to the extent of the assets acquired for the related project. Debt of the agency is not an obligation of the County. The Agency is considered a component unit and is discretely presented. The IDA uses proprietary accounting.

Chemung County Soil and Water Conservation District (the District) is a County-wide district created by the County Legislature to provide for the control and conservation of soil and water resources. Members of the board of directors are appointed by the County Legislature. These directors have sole control of the management and operation of the district. The County provides a portion of the district's funding. The County's subsidy for 2005 was \$135,000. The District is considered a component unit and is discretely presented. The Soil and Water Conservation District uses the current financial resources measurement focus and modified accrual accounting.

**CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Steele Memorial Library (the Library) was created to provide free library services to area residents. The County owns the main library building but operations are managed by the Board of Trustees of the Library. Library employees are considered County employees for employee benefit purposes. The County contributed support of \$1,313,877 in 2005. The Library is a component unit and uses the accrual basis of accounting.

Chemung County Tobacco Securitization Corp. Is described in detail in note 19 of these financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Complete financial statements of individual component units can be obtained from their respective administrative offices:

Chemung County Industrial
Development Agency, Inc.
P.O. Box 251
Elmira, New York 14902

Steele Memorial Library of
Chemung County
One Library Plaza
Elmira, New York 14901

Chemung County Soil & Water Conservation District
209 North Main Street
Horseheads, New York 14845

Chemung County Tobacco Asset
Securitization Corporation
203 Lake Street
Elmira, NY 14901

BASIS OF PRESENTATION

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The County has elected to apply Financial Accounting Standards Board (FASB) pronouncements and interpretations issued on after November 30, 1989, to its business-type activities and to its enterprise funds provided those pronouncements do not interfere with or contradict GASB pronouncements, in which case, GASB prevails. The more significant of the government's accounting policies are described below:

The County's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of information.

Government-Wide Financial Statements

**CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

The government-wide financial statements, which consist of the Statement of Net Assets and the Statement of Activities, report information on all of the non-fiduciary activities of the primary government. Government activities, which are supported primarily through taxes or intergovernmental revenues, are reported separately from business-type activities, which are intended to be funded primarily through fees and charges for goods or services. Fiduciary funds are excluded from the government-wide financial statements. Internal service activity between the internal service fund and the government has been eliminated and the remaining amounts are shown as governmental-type activities on the Statement of Net Assets and the Statement of Activities.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each program or function of the County's governmental activities and its business-type activity (Nursing Facility). Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses, which include centralized services and administrative overhead, are allocated among the programs, functions and segments using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not.

Program revenues include charges paid by recipients of goods or services offered by the program as well as grants and contributions that are restricted to meeting the operational or capital requirements of the particular program. Revenues not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with general program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the County.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

The accounting system is organized and separated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities of the government and attaining certain objectives in accordance with special regulations, restrictions or limitations. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds - are funds through which most governmental functions are financed. The major governmental funds of the County are the General Fund and the Capital Project Fund. The General Fund is the principal operating fund and includes all operations not required to be recorded in other funds. All major construction projects are recorded in the Capital Project Fund. Other governmental funds are combined and included in the "non-major" column on the governmental funds financial statements.

Proprietary Funds - are used to account for ongoing activities which are similar to those often found in the private sector. The County has the following major proprietary funds:

Enterprise Fund - used to account for the Chemung County Nursing Facility, a 200 bed skilled nursing facility.

CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

Internal Service Funds - used to account for the Self-Insurance and Workers' Compensation funds that records the assessments charged to and benefits paid to participating governments for insurance.

Fiduciary Funds - The County's Agency fund is used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, and other governments.

MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flow. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The economic resources measurement focus means that all of the assets and all of the liabilities associated with the operations (whether current or non-current) of the County are included on the Statement of Net Assets and the Statement of Activities presents increases (revenues) and decreases (expenses) in total net assets.

The governmental fund financial statements are accounted for using the modified accrual basis of accounting and use the current financial resources measurement focus. Under the modified accrual basis revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Measurable means that the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to finance any of the liabilities of the current period. For the County, available means expected to be received within sixty days of year end. With this measurement focus, only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A reconciliation accompanies the governmental fund financial statements to reconcile and explain the differences between fund balances as presented in these statements and net assets presented in the government-wide financial statements.

In accordance with GASB Statement No. 36 "*Recipient Reporting for Certain Shared Nonexchange Revenues*", certain state-levied locally shared taxes and fees including motor vehicle license fees, sales tax and mortgage tax are considered voluntary non-exchange transactions. These types of transactions may be accrued if receipt is expected within six months.

**CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

ESTIMATES

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

CASH AND CASH EQUIVALENTS

The County's cash and cash equivalents consists of cash on hand, demand deposits and investments with maturities of three months or less.

INVESTMENT POLICY

The County has a written investment policy approved by the County Legislature. This policy has been established in accordance with New York State municipal law. Accordingly, funds must be deposited in FDIC insured accounts. The policy also requires financial institutions to provide securities for all deposits in excess of FDIC maximum coverage. The County Treasurer is authorized to invest excess funds in instruments permitted under New York State municipal law.

INTERFUND RECEIVABLES AND PAYABLES

Short term Interfund payables and receivables are classified as current assets and liabilities in the fund financial statements. Such Interfund balances in the government-wide financial statements are included only between government type activities and business type activities and are reflected as internal balances.

INTERFUND TRANSACTIONS

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flow of cash or goods from one fund to another without a requirement for repayment are reported as Interfund transfers. Interfund transfers are reported as other financing sources/uses in the governmental funds and after non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

CAPITAL ASSETS

General capital assets are capital assets which are associated with and generally arise from governmental activities. They typically result from expenditures in governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets used by the enterprise fund (Nursing Facility) are recorded in both the business-type activities column in the government-wide statement of net assets and in the respective funds.

**CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Chemung County has established a capital asset policy which defines capital assets and establishes criteria for capitalization and depreciation. Capital assets are recorded at historical cost for purchased or constructed assets and at estimated fair market value for donated assets. All capital assets are depreciated, except construction in progress and land. The policy also establishes a capitalization threshold at which assets are capitalized and a useful-life range for each asset class. Depreciation is calculated using the straight-line method.

ASSET CLASS	CAPITALIZATION THRESHOLD	ASSET LIFE IN YEARS
Construction in Progress	All assets	N/A
Land	All assets	N/A
Land Improvements	\$5,000	20-100
Buildings	All assets	15-80
Building Improvements	\$5,000	10-80
Infrastructure	\$5,000	6-100
Furniture, Equipment, Software and Vehicles	\$5,000	5-15
Works of Art & Historical Treasures	All assets	N/A

During the year ended December 31, 2005, the county began the transition of recording infrastructure assets placed in service between 1980 and 2002 as allowed under GASB Statement No. 34. At December 31, 2005, the county has recorded roads, sewer, airport runways and landfill cells at historical cost and recorded the related accumulated depreciation. The recording of bridges for 1980-2002 will be completed during the year ended December 31, 2006 as required by GASB Statement No. 34. The total prior period effect of the completion of the process is not known at this time.

ACCOUNTS PAYABLE, ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

Accounts payable, accrued liabilities and long-term obligations are reported on the government-wide financial statements in their entirety. Governmental fund payables, accrued liabilities and other obligations are recognized as fund liabilities when incurred. However, compensated absences and contractually required pension contributions that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due and payable within one year.

Accounts payable, accrued liabilities, including compensated absences, and other obligations are reported in the enterprise fund financial statements.

COMPENSATED ABSENCES

Employees earn a specified amount of vacation time in each pay period based on their years of service. Employees can carry-forward up to thirty-five vacation days from year to year. Unused vacation time at year end is multiplied by the employees hourly rate at year end to establish the County's liability for unused vacation time.

**CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Sick time is awarded on a monthly basis to those employees on the payroll for more than 50% of the month. Employees can carry forward up to 250 sick days. Employees hired before January 1, 1981 receive a percentage of their unused sick time upon separation from service with the County. Employees hired after December 31, 1979 receive a percentage of their unused sick time only upon retirement. The sick time liability was estimated by taking a percentage of unused sick time times the hourly rate for employees in retirement tiers 1 through 3. Tier three ended in 1983, the estimate would therefore, include all individuals hired prior to January 1, 1981 as well as most of those employees eligible for retirement based on age and years of service.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NET ASSETS

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt - This amount consists of capital assets, net of accumulated depreciation reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the net assets.

Restricted Net Assets - This amount is restricted by external creditors, grantors, contributors, or laws and regulations of other governments.

Unrestricted Net Assets - This amount is all net assets that do not meet the definition of "Invested in capital assets, net of related debt" or "restricted net assets."

The County's policy is to first apply restricted resources when an expense is incurred for purposed for which both restricted and unrestricted net assets are available.

GOVERNMENTAL FUND BALANCE RESERVES

The County reserves those portions of governmental fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Fund balance reserves have been established for employee benefits, retiree benefits, capital improvements, tax stabilization, FAA projects and other special purposes.

OPERATING REVENUES AND EXPENSES

Operating Revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the County, those revenues are charges for services for patient services at the Nursing Facility. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the funds. Revenues and expenses not meeting these definitions are reported as non-operating.

**CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

PROPERTY TAXES

County property taxes are levied annually as of January 1st payable without penalty to January 31st. Unpaid taxes are advertised for tax sale beginning September 1st, and property liens are obtained in October. Taxes for County purposes are levied together with taxes for town and special district purposes as a single bill. The towns and special districts receive the full amount of their levies annually out of the first amounts collected on the combined bills. The County assumes enforcement responsibility for all taxes levied in the towns.

Unpaid village and school district taxes are turned over to the County for enforcement. Any such taxes remaining unpaid at year end are re-levied as County taxes in the subsequent year.

NOTE 2 COMPLIANCE AND ACCOUNTABILITY

New York State Municipal Law requires the County to adopt a balanced budget. Under the County Charter, the County Executive is required to submit a budget for all funds to the County Legislature on or before November 10th. The legislature must then act on the budget and return it to the Executive for signature by December 7th. Any changes must be reconciled and a final budget approved on or before December 15th. After the budget is adopted the Executive may make transfers between operational accounts within the same department for all appropriations except personnel, capital equipment and contracts. Budget modifications between those accounts and between departments and or funds require a majority vote of the legislature.

NOTE 3 CASH DEPOSITS

The County Charter specifies that the County Treasurer is responsible for all deposits and investments in accordance with general municipal law and the County's investment policy. General Municipal Law, Section 10 provides that all deposits of the County including Certificates of Deposits and special time deposits, in excess of the amount insured under the provision of the Federal Deposit Insurance Act shall be secured:

By a pledge of eligible securities: with an aggregate "market value", as provided by General Municipal Law, Section 10, equal to the aggregate amount of deposits from the categories designated as acceptable investments in the County investment policy.

By an eligible irrevocable letter of credit issued by a qualified bank other than the bank with the deposits in favor of the County for a term not to exceed 90 days with an aggregate value equal to 140% of the aggregate amount of deposits and the agreed upon interest, in any. A qualified bank is one whose commercial paper and other unsecured short-term debt obligations are rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization or by a bank that is in compliance with Federal minimum risk-based capital requirements.

**CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

By an eligible surety bond payable to the County of Chemung for an amount at least equal to 100% of the aggregate amount of deposits and the agreed upon interest, if any, executed by an insurance company authorized to do business in the State of New York, whose claims-paying ability is rated in the highest rating category by at least two (2) nationally recognized statistical rating organizations.

Security on deposits and investments is categorized based on the level of credit risk. The categories of credit risk are defined as follows:

- Category 1 Insured by the Federal Deposit Insurance Corporation or securities held by the County or by an agent of the County in the County's name.
- Category 2 Securities held by the pledging financial institution's trust department or an agent in the County's name.
- Category 3 Uncollateralized or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the County's name; or collateralized with no written collateral agreement.

At year end, the carrying amount of the County's deposits was \$10,548,757. Of the bank balance, the following were the bank balances according to risk categories:

	TOTAL	CATEGORY 1	CATEGORY 2	CATEGORY 3
Cash deposits	\$ 10,548,757	\$ 400,000	\$ 10,148,757	\$ -

NOTE 4 RECEIVABLES

Real property taxes receivable at December 31, 2005 were \$7,673,168. Included in the real property taxes receivable are returned city, village, and school taxes of \$2,298,623 which are offset by liabilities to the cities, villages, and school districts which were paid prior to April 15, 2005. The remaining amount of tax receivables are offset by deferred tax revenue of \$4,315,042 and represents an estimate of tax liens, which will not be collected within the first sixty (60) days of the subsequent year. City, village, and school district taxes not collected by the respective entity have been or will be re-levied with the County tax levy the following year.

Other government-type activity receivables consist of funds claimed but not received from various state and federal sources of \$13,696,327 at December 31, 2005, as well as funds receivable for services rendered by departments such as the Airport, Solid Waste and the Sewer Districts of \$6,590,089 at December 31, 2005.

NOTE 5 LONG-TERM SOLID WASTE LEASE AGREEMENT

In September of 2005 the county entered into a long-term lease agreement with New England Waste Services of New York, Inc and Casella Waste Systems, Inc.(Casella). The agreement stipulates that Casella will run the landfill and material recycling operations and will reimburse the county for personnel and other costs as well as pay an annual lease payment. The lease payment will increase if the Department of Environmental Conservation approves a request to increase the annual dumping allotment.

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Under the terms of the agreement Casella will be responsible for all closure and post closure costs. Accordingly the long-term liability for landfill closure and post closure costs has been removed from the general long-term debt account group. Casella has issued a performance bond to the county to assure their obligations under the terms of the agreement.

Minimum lease payments are as follows:

2006	\$ 1,000,000
2007	1,000,000
2008	1,000,000
2009	1,000,000
2010	1,000,000
Thereafter	19,000,000
	<u>\$ 24,000,000</u>

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 was as follows:

GOVERNMENTAL-TYPE ACTIVITIES

	BALANCE 1/1/2005	ADDITIONS TRANSFERS IN	DISPOSALS TRANSFERS OUT	BALANCE 12/31/2005
<u>Non-depreciable Capital Assets:</u>				
Construction in Progress	\$ 693,663	\$ 459,862	\$ (396,068)	\$ 757,457
Land	15,710,890	-	-	15,710,890
TOTAL NON-DEPRECIABLE CAPITAL ASSETS	<u>16,404,553</u>	<u>459,862</u>	<u>(396,068)</u>	<u>16,468,347</u>
<u>Depreciable Capital Assets:</u>				
Land Improvements	710,808	319,914	-	1,030,722
Buildings and building improvements	53,899,214	742,639	-	54,641,853
Infrastructure	58,402,399	3,794,681	-	62,197,080
Furniture, Equipment and Vehicles	24,930,597	2,934,525	(5,834,926)	22,030,196
TOTAL DEPRECIABLE CAPITAL ASSETS	<u>137,943,018</u>	<u>7,791,759</u>	<u>(5,834,926)</u>	<u>139,899,851</u>
<u>Less Accumulated Depreciation For:</u>				
Land Improvements	(245,821)	(50,773)	-	(296,594)
Buildings and building improvements	(14,829,550)	(798,383)	-	(15,627,933)
Infrastructure	(17,903,742)	(3,027,046)	-	(20,930,788)
Furniture, Equipment and Vehicles	(14,738,576)	(1,903,381)	5,164,498	(11,477,459)
TOTAL ACCUMULATED DEPRECIATION	<u>(47,717,689)</u>	<u>(5,779,583)</u>	<u>5,164,498</u>	<u>(48,332,774)</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 106,629,882</u>	<u>\$ 2,472,038</u>	<u>\$ (1,066,496)</u>	<u>\$ 108,035,424</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 243,725
Public safety	484,058
Health	33,832
Transportation	4,017,515

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Economic assistance and opportunity	32,917
Culture and recreation	97,396
Home and community services	870,140
TOTAL DEPRECIATION EXPENSE FOR GOVERNMENTAL ACTIVITIES	<u>\$ 5,779,583</u>

NOTE 6 CAPITAL ASSETS (continued)

BUSINESS-TYPE ACTIVITIES

	BALANCE 1/1/2005	ADDITIONS	DISPOSALS	BALANCE 12/31/2005
<u>Non-depreciable Capital Assets:</u>				
Land	\$ 48,287	\$ -	\$ -	\$ 48,287
TOTAL NON-DEPRECIABLE CAPITAL ASSETS	<u>48,287</u>	<u>-</u>	<u>-</u>	<u>48,287</u>
<u>Depreciable Capital Assets:</u>				
Land Improvements	306,998	-	-	306,998
Buildings and fixed equipment	6,487,939	1,205,177	-	7,693,116
Movable equipment	1,391,200	157,502	(46,886)	1,501,816
TOTAL DEPRECIABLE CAPITAL ASSETS	<u>8,186,137</u>	<u>1,362,679</u>	<u>(46,886)</u>	<u>9,501,930</u>
<u>Less Accumulated Depreciation For:</u>				
Land Improvements	(276,690)	(4,947)	-	(281,637)
Buildings and fixed equipment	(5,056,603)	(161,225)	-	(5,217,828)
Moveable equipment	(1,171,515)	(70,999)	44,954	(1,197,560)
TOTAL ACCUMULATED DEPRECIATION	<u>(6,504,808)</u>	<u>(237,171)</u>	<u>44,954</u>	<u>(6,697,025)</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 1,729,616</u>	<u>\$ 1,125,508</u>	<u>\$ (1,932)</u>	<u>\$ 2,853,192</u>

NOTE 7 PENSION PLAN

The County of Chemung participates in the New York State and Local Employees' Retirement System (ERS). This is a cost sharing multiple employer system that provides retirement benefits as well as death and disability benefits. The County's contribution for 2005 and the three preceding years was as follows:

	2005	2004	2003	2002
General pension contribution	\$ 4,105,481	\$ 4,367,767	\$ 1,772,278	\$ 427,398
Contribution for early retirement incentive	466,915	421,709	507,299	430,055
Group-term life insurance contribution	-	-	407	407
Total Pension Contribution	<u>\$ 4,572,396</u>	<u>\$ 4,789,476</u>	<u>\$ 2,279,984</u>	<u>\$ 857,860</u>

Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). The Comptroller of the State of New York is the sole trustee and administrator of the ERS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the ERS and for the custody and control of their funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the New York State and Local Retirement, Governor Alfred E. Smith State Office Building, Albany, NY 12244.

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Employees hired prior to July 28, 1976 and employees hired after that date with at least ten years of service in the system are not required to make contributions. Employees hired after July 27, 1976 with less than ten years of service are required to contribute at a rate of 3% of their gross salary. Under the authority of the NYSRSSL, the Comptroller annually certifies the rates expressed used in computing the employer's contributions. The County of Chemung contribution is 100% of the contribution required for each year.

Pursuant to Chapter 41 of the Laws of 1997, Chapter 47 of the Laws of 1998, Chapter 70 of the Laws of 1999 and Chapter 86 of the Laws of 2000; the State Legislature authorized local governments to make available retirement incentive programs. Those programs had additional local costs payable over five years as follows:

YEAR	TOTAL LOCAL COST	2005 PAYMENT	APPLICABLE INTEREST RATE
2000	707,414	165,638	8.00%
2002	748,256	175,201	8.00%
Other	-	126,076	
	\$ 1,455,670	\$ 466,915	

NOTE 8 POST EMPLOYMENT BENEFITS

The County of Chemung pays 50% of the insurance cost for retirees who choose to carry the insurance in retirement. Employees can also, upon retirement escrow a portion of their unused sick time to cover their share of the insurance costs in retirement. Substantially all of the County's employees may become eligible for benefits if they reach normal retirement age while working for the County. The County recognizes the cost of providing benefits by its share of insurance premiums as an expenditure in the governmental funds in the year paid. Employees who separate from service prior to retirement may continue their insurance through the County by paying the entire premium in accordance with federal law.

NOTE 9 DEFERRED COMPENSATION

Chemung County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time County employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights (until paid or made available to the participant or beneficiary) are solely the property of the County.

The Small Business Job Protection Act of 1996 was signed into law on August 20, 1996. As a result of this legislation, all 457 program assets must now be held in a trust, custodial account or annuity contract for the exclusive benefit of plan participants and their beneficiaries. Plan assets are no longer subject to claims of public entities' creditors during financial crisis.

The County adopted the Model Deferred Compensation Plan for employees of the County of Chemung on December 14, 1999. The plan adoption was retroactive to January 1, 1996. To insure compliance with Small Business Job Protection Act of 1996, the County entered into an agreement with PEBSCO and Nationwide Life Insurance Company to become Trustee and Custodian for the County of Chemung Deferred Compensation Plan.

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As of December 31, 2005, employee contributions to the plan totaled \$1,299,049, which is not displayed in the financial statements.

NOTE 10 RISK RETENTION

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 their survivors for which the County carries commercial insurance.

The County's self-insured workers' compensation plan is accounted for as an internal service fund. Assessments are paid in to the fund from other funds and participating municipalities, and are available to pay claims and administrative costs of the program. Claim liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include amounts for claims that have been incurred but not reported (IBNRs). Claim liabilities are estimated considering recent claim settlement trends and the effects of inflation using the present value method. Changes in the balances of claims liabilities reported in the internal service fund for the past two fiscal years ended December 31 are as follows:

	Beginning of Fiscal Year Liability	Current Year Claims & Changes in Estimates (Net)	Claim Payments	Balance at Fiscal Year-End
2004	\$ 2,068,462	\$ 1,162,772	\$ (1,501,657)	\$ 1,729,577
2005	\$ 1,729,577	\$ 1,038,374	\$ (1,081,858)	\$ 1,686,093

NOTE 11 COMMITMENTS AND CONTINGENCIES

The settlement of a lawsuit with a former health insurance carrier resulted in a \$1,500,000 settlement to be paid by the County beginning January 2003 and continue through January 2007. As of December 31, 2005 the outstanding balance on this liability was \$275,000.

NOTE 12 SHORT-TERM DEBT

Liabilities for bond anticipation notes (BANS) are generally accounted for in the Capital Projects Fund and in the Enterprise Fund. The notes or renewal thereof may not extend more than two years beyond the original date of issue unless a portion is redeemed within the first two years. Redemptions must then continue in each subsequent 12 month period until the obligation is completely extinguished.

New York State Law requires that BANS issued for capital purposes be converted to long-term obligations within five years from the original issuance date. However, BANS issued for assessable improvement projects may be renewed up to the maximum life of the permanent financing, provided that stipulated annual reductions in principal occur.

Short-term debt outstanding at December 31, 2005 is as follows:

Balance 12/31/2004	Additions	Reductions	Balance 12/31/2005

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Public Improvement Bond, 04/01/88- This bond has staggered maturities from 1989-2008. It carries an interest rate that starts at 7.0% and rises to 7.25%. Interest payments are made twice annually. The bonding covers capital projects and purchases for the Sewer District, Solid Waste District, Nursing Facility and various General Fund Projects.

	\$	76,125	\$	300,000	\$	900,000	\$	900,000	\$	-
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Public Improvement Bond, 05/01/89- This bond has staggered maturities from 1990-2009. It carries an interest rate that starts at 7.0% and rises to 7.25%. Interest payments are made twice annually. The bonding covers capital projects and purchases for the Sewer District, Solid Waste District and various General Fund Projects.

	20,119	65,000	245,000	245,000	-
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Public Improvement Bond, 07/15/91- This bond has staggered maturities from 1992-2010. It carries an interest rate that starts at 6.75% and rises to 6.8%. Interest payments are made twice annually. The bonding covers capital projects and purchases for the Nursing Facility, Solid Waste District and various General Fund Projects.

	193,800	600,000	2,250,000	2,250,000	-
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Public Improvement Bond, 07/15/92- This bond has staggered maturities from 1993-2008. It carries an interest rate that starts at 5.2% and rises to 5.5%. Interest payments are made twice annually. The bonding covers capital projects and purchases for the Solid Waste District and various General Fund Projects.

	56,900	325,000	875,000	875,000	-
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Public Improvement Bond, 07/15/92- This bond has staggered maturities from 1993-2012. It carries an interest rate that starts at 5.4% and rises to 5.5%. Interest payments are made twice annually. The bonding covers capital projects and purchases for various General Fund Projects.

	159,175	325,000	2,575,000	2,575,000	-
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**CHEMUNG COUNTY- STATE OF NEW YORK
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Public Improvement Bond, 07/20/93- This bond has staggered maturities from 1994-2008. It carries an interest rate that starts at 2.6% and rises to 5.1%. Interest payments are made twice annually. The bonding covers capital projects and purchases for various General Fund Projects.

26,848 155,000 455,000 455,000 -

NOTE 13 LONG-TERM DEBT (continued)

BOND	2005		BALANCE AT DECEMBER 31, 2005		
	INTEREST PAYMENTS	PRINCIPAL PAYMENTS	TOTAL	GOVERNMENTAL TYPE ACTIVITIES	BUSINESS TYPE ACTIVITIES
Public Improvement Bond, 07/15/94- This bond has staggered maturities from 1995-2009. It carries an interest rate that starts at 4.8% and rises to 5.4%. Interest payments are made twice annually. The bonding covers capital projects and purchases for the Solid Waste District and various General Fund Projects.	42,350	200,000	675,000	675,000	-
Public Improvement Bond, 08/20/97- This bond has staggered maturities from 1998-2011. It carries an interest rate that starts at 4.75% and rises to 5.25%. Interest payments are made twice annually. The bonding covers capital projects and purchases for the Nursing Facility and various General Fund Projects.	280,594	678,253	4,846,648	4,598,971	247,677
Public Improvement Bond, 06/15/98- This bond has staggered maturities from 1999-2018. It carries an interest rate that starts at 4.5% and rises to 4.55%. Interest payments are made twice annually. The bonding covers capital projects and purchases for the Solid Waste District and various General Fund Projects.	123,108	375,000	2,540,000	2,540,000	-
Public Improvement Bond, 11/15/99- This bond has staggered maturities from 2000-2015. It carries an interest rate that starts at 5.1% and rises to 5.125%. Interest payments are made twice annually. The bonding covers capital projects and purchases for the Nursing Facility, Sewer District and various General Fund Projects.	245,382	335,000	4,544,997	4,438,403	106,594

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Public Improvement Bond, 08/15/01-
This bond has staggered maturities from
2002-2021. It carries an interest rate that
starts at 4.5% and rises to 4.75%. Interest
payments are made twice annually. The
bonding covers capital projects and
purchases for the Nursing Facility, Sewer
District, Solid Waste District and various
General Fund Projects.

	146,326	125,000	3,059,960	2,956,145	103,815
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Public Improvement Bond, 03/15/02-This
bond has staggered maturities from 2003-
2016. It carries an interest rate that starts
at 4.25% and rises to 5.00%. Interest
payments are made twice annually. The
bonding covers capital projects and
purchases for various General Fund
Projects.

	169,138	245,000	3,525,000	3,525,000	-
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NOTE 13 LONG-TERM DEBT (continued)

BOND	2005		BALANCE AT DECEMBER 31, 2005		
	INTEREST PAYMENTS	PRINCIPAL PAYMENTS	TOTAL	GOVERNMENTAL TYPE ACTIVITIES	BUSINESS TYPE ACTIVITIES
Public Improvement Bond, 08/15/03-This bond has staggered maturities from 2004- 2021. It carries an interest rate that starts at 4.25% and rises to 4.60%. Interest payments are made twice annually. The bonding covers capital projects and purchases for various General Fund Projects.	203,688	195,000	4,480,000	4,428,476	51,524
Public Improvement Bond, 06/15/04-This bond has staggered maturities from 2005- 2017. It carries an interest rate that starts at 4.125% and rises to 4.40%. Interest payments are made twice annually. The bonding covers capital projects and purchases for various General Fund and Nursing Facility projects.	217,680	142,371	3,350,000	3,126,139	223,861

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Public Improvement Bond, 08/15/05-This bond has staggered maturities from 2006-2020. It carries an interest rate that starts at 3.8% and rises to 4.0%. Interest payments are made twice annually. The bonding covers capital projects and purchases for various General Fund and Nursing Facility projects.

	-	-	6,586,712	5,234,718	1,351,994
Total General Obligation Bonds	1,961,233	4,065,624	40,908,317	38,822,852	2,085,465

Tobacco Trust/Tobacco Settlement Pass-Through Bond, 12/07/00-The face value of the bond was \$8,090,000 and was sold at a discount of \$116,695. The discount is being amortized over the life of the bond. The bond will mature on June 1, 2026. Interest ranges from 4.9%-6.4%. As of December 31, 2005 the face value of the bond was \$7,275,000 and the remaining discount was \$93,367.

	477,749	148,389	7,181,633	-	7,181,633
Total Principal and Interest	\$ 2,438,982	\$ 4,214,013			
Total Bonds Payable			48,089,950	38,822,852	9,267,098
Less: Current Portion General Obligation Bonds			4,592,980	4,457,222	135,758
			\$ 43,496,970	\$ 34,365,630	\$ 9,131,340

NOTE 13 LONG-TERM DEBT (continued)

The annual aggregate maturities for general obligation bonds for the next five years are as follows:

	TOTAL		GOVERNMENTAL-TYPE ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2006	4,592,980	1,916,161	4,457,222	1,833,940	135,758	82,221
2007	4,653,572	1,696,123	4,513,809	1,615,456	139,763	80,667
2008	4,756,491	1,434,785	4,610,679	1,360,221	145,812	74,564
2009	3,489,778	1,217,943	3,337,509	1,149,587	152,269	68,356

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2010	3,475,921	1,051,527	3,316,877	989,713	159,044	61,814
Thereafter	19,939,575	4,114,216	18,586,756	3,819,309	1,352,819	294,907
	<u>\$ 40,908,317</u>	<u>\$ 11,430,755</u>	<u>\$ 38,822,852</u>	<u>\$ 10,768,226</u>	<u>\$ 2,085,465</u>	<u>\$ 662,529</u>

Amortization of the face value of bonds of the Chemung County Tobacco Asset Securitization Corporation are as follows:

	FIXED AMORTIZATION	FLEXIBLE AMORTIZATION	TOTAL AMORTIZATION
2006	\$ 5,000	\$ 160,000	\$ 165,000
2007	15,000	175,000	190,000
2008	30,000	185,000	215,000
2009	35,000	200,000	235,000
2010	40,000	225,000	265,000
Thereafter	830,000	5,375,000	6,205,000
	<u>\$ 955,000</u>	<u>\$ 6,320,000</u>	<u>\$ 7,275,000</u>

NOTE 14 RESERVES

The County has the following reserve funds for the following purposes at December 31, 2005:

Governmental-Type Activities

General Fund

Reserve for tax stabilization	\$	225,258
Employee benefits		965,395
Retirement benefits		1,224,468
Reserve for FAA projects		709,348
Other reserves		56,019
TOTAL		<u>3,180,488</u>

Capital Project Fund

Reserve for capital projects		508,003
TOTAL		<u>508,003</u>

TOTAL GOVERNMENTAL-TYPE ACTIVITIES RESERVED FUND BALANCE	\$	<u>3,688,491</u>
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**CHEMUNG COUNTY- STATE OF NEW YORK
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FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 15 CHEMUNG COUNTY NURSING FACILITY - ENTERPRISE FUND

Summary of Significant Accounting Policies

Basis of reporting - The accompanying financial statements reflect the financial activity of the Chemung County Nursing Facility on the accrual basis of accounting. The Facility is a 200-bed skilled nursing facility funded primarily through Medicaid, Medicare, and private fees. The Facility is not a legal entity, but rather an enterprise fund within Chemung County, New York. The County has proprietary interest in all assets and the responsibility for all obligations of the Facility. The Facility's accounts are segregated into a separate enterprise fund. The Facility was audited by Mengel Metzger Barr & Co. LLP in 2005 and a copy of the complete audited financial statements may be obtained from the Chemung County Nursing Facility.

The Facility receives administrative and other support services from the County. Costs for such services that are not billed and paid directly to the County are reflected in the indirect cost allocation included in the accompanying statements of activities and changes in net assets.

The Facility is required to operate within certain budget constraints dictated by the County. Certain costs such as retiree benefit costs, depreciation, and the indirect cost allocation, which are reflected in the accompanying statements of activities and changes in net assets, are not budgeted costs which are funded by the County. Therefore, the changes in net assets reflected in these financial statements are not comparable to the Facility's net operating results included in the County's operating budget.

Charges for services and accounts receivable - Charges for services represent the estimated net realizable amounts from patients, third-party payors, and others for services rendered and are recognized as operating revenues as services are performed. Patient accounts receivable are recorded net of contractual allowances. Revenue under third-party payor agreements is subject to audit and retroactive adjustments. Provisions for third-party payor settlements are provided in the period when the settlements are determinable.

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of the individual receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off through charges to the valuation allowance and a credit to the applicable accounts receivable. The allowance for doubtful accounts at December 31, 2005 was \$150,000.

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Revenue from Medicaid and Medicare accounted for approximately 66% of the Facility's total revenue for the year ended December 31, 2005. Laws and regulations governing Medicaid and Medicare are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Inventories - Inventories, consisting of supplies for various departments, are stated at the lower of cost (first-in, first-out method) or market.

Property, facilities and equipment - Property, facilities, and equipment are stated on the basis of cost. Depreciation and amortization are computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from five to forty years.

Expenditures for renewals and betterments are capitalized while expenditures for repairs and maintenance are charged to operations as incurred. Upon sale or retirement, the related cost and allowances for depreciation or amortization are removed from the accounts and the related gain or loss is reflected in operations.

Use of estimates in the preparation of financial statements - The preparation of financial statements in conformity with accounting principals generally accepted in the United States of America 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 and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 15 CHEMUNG COUNTY NURSING FACILITY - ENTERPRISE FUND (continued)

Third-Party Reimbursement

The Medicaid program provides for reimbursement to nursing homes on a prospective basis with no provision for retroactive adjustments other than those resulting from audit by the third-party agency, which involve either errors in the original cost reports used by such agencies to develop the prospective rates or changes in regulations promulgated by the Courts. Adjustments resulting from third-party audits are generally made by withholding amounts from current remittances or adjusting future reimbursement rates. Under the Medicare program, nursing homes are reimbursed for defined costs of services rendered to patients. During the year, the Medicare intermediary makes interim payments which are tentatively adjusted upon filing various cost reports and are subject to final adjustment upon audit.

Medicaid prior year retroactive adjustments, which amounted to \$492,971 for the period April 2002 to September 30, 2004, were recorded as a decrease in operating revenue for the year ended December 31, 2005. Additionally, Medicaid retroactive adjustments, which amounted to \$188,798 for the period April 2002 to December 31, 2003, were recorded as a decrease in operating revenue for the year ended December 31, 2004.

Reimbursement rate audit - The effect of the above-mentioned audits on rate years subsequent to those mentioned is not presently determinable and, accordingly, has not been reflected in the accompanying financial statements.

Due to third party payors, as reflected in the accompanying balance sheet, are payable as a 10% maximum withholding from current Medicaid remittances. Such amounts are summarized as follows:

CHEMUNG COUNTY- STATE OF NEW YORK
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Amount payable to New York State Department of Social Services (DSS) for Medicaid overpayments from the reimbursement rate audit.

\$ 312,441

Disadvantaged Facility Funding - The New York State Health and Medicaid budget bill passed in 2004 provides for additional state funding to be available over a two-year period as a short-term relief measure for financially distressed facilities. The money was intended to be distributed according to a formula methodology based on a rolling three-year average of a facility's operating margin. During 2005, distribution in the amount of \$402,160 was received and the revenue has been recorded in the accompanying 2005 financial statements.

Employee and Retiree Benefits

Substantially all employees of the Facility are eligible to participate in the New York State Employee's Retirement System. All members employed prior to June 30, 1976 participate on a non-contributory basis. All other members participate on a contributory basis. As a government pension plan, the New York State Employees' Retirement System is exempt from the provisions of the Employee Retirement Income Security Act of 1974. Information of the differences, if any, between the actuarially computed value of vested benefits and the Plan's assets is not available.

The Facility makes pension payments to the New York State Employees' Retirement System based on the salaries of participating employees multiplied by the most recent rates available from New York State Employees' Retirement System ("the System") plus a calculation for early retirement incentives. The pension contribution for the year ended December 31, 2005 amounted to \$793,822.

The Facility provides health care benefits for retired employees through the County's health plan. Substantially all employees become eligible for these benefits if they qualify for retirement while working for the Facility. The costs of these benefits are expensed as claims incurred and included by the County in the allocation of health insurance expense applicable to the Facility. The retired employees reimburse the Facility for a portion of these expenses and the reimbursed amount is allocated against this expense. At December 31, 2005, there were approximately 74 Facility retirees.

NOTE 15 CHEMUNG COUNTY NURSING FACILITY - ENTERPRISE FUND (continued)

Workers' Compensation Benefits

Workers' Compensation benefits are provided by the Facility to their employees through the County's self-insured programs. The cost of the benefits (net of reimbursement from New York State) for non-permanent disability are expensed as claims incurred and have been included as employee benefits expense in the accompanying statements of revenue and expenses. Certain Workers' Compensation cases have been ruled by the Workers' Compensation Board as permanent disability. Benefits for such claims are awarded for the life of the claimants and discharged only upon death or when the claimant returns to work full-time. At December 31, 2005 twenty-two of the Facility's claimants met the requirements for eligibility of lifetime benefits. Although the actuarially computed value of these claims is not available as of December 31, 2005, using the present value method, the Facility has recorded an estimated liability of \$1,029,174 for these lifetime benefits, assuming all claimants are paid to age 72.

**CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Accordingly, the provision has been presented in the accompanying statements of activities and changes in net assets as an operating expense, with the amount expected to be paid in each succeeding calendar year (\$28,521) included under current liabilities in the accompanying balance sheet.

NOTE 16 INTERFUND BALANCES

The County Reports interfund balances between many of its funds. The sum of all balances presented in the table agrees with the sum of interfund balances presented in the balance sheet for governmental funds, statement of net assets for proprietary funds, and statement of net assets for fiduciary funds.

All interfund balances are considered to be short-term. Interfund balances at December 31, 2005 consisted of the following:

DUE TO:	DUE FROM:					TOTAL
	General Fund	Capital Projects Fund	Non-Major Funds	Internal Service Funds	Nursing Facility	
General Fund	\$ -	\$ -	\$ 1,721,606	\$ 7,552,829	\$ 84,408	\$ 9,358,843
Capital Projects Fund	1,323,199	-	-	-	1,560	1,324,759
Non-Major Governmental Funds	3,315,501	948,500	230,000	5,329	-	4,499,330
Internal Service	6,626,636	-	689,916	-	1,661,931	8,978,483
Nursing Facility	360,236	49,555	-	-	-	409,791
	<u>\$ 11,625,572</u>	<u>\$ 998,055</u>	<u>\$ 2,641,522</u>	<u>\$ 7,558,158</u>	<u>\$ 1,747,899</u>	<u>\$ 24,571,206</u>

Transfers are used to:

- (1) to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them
- (2) to move expenditures from chargeable funds to a single fund for disbursement and
- (3) to compensate for the time lag between the dates interfund goods and services are provided or reimbursable and the payments are actually made between the funds.

NOTE 17 INTERFUND TRANSFERS

**CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

The County Reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the balance sheet for governmental funds, statement of net assets for proprietary funds, and statement of net assets for fiduciary funds.

TRANSFER IN:	TRANSFER OUT:				Total
	General Fund	Capital Projects Fund	Non-Major Funds	Health Care Facility	
General Fund	\$ -	\$ 153,069	\$ -	\$ 758,677	\$ 911,746
Capital Projects Fund	-	-	37,370	-	37,370
Non-Major Funds	4,891,741	-	-	-	4,891,741
Health Care Facility	229,000	-	-	-	229,000
	<u>\$ 5,120,741</u>	<u>\$ 153,069</u>	<u>\$ 37,370</u>	<u>\$ 758,677</u>	<u>\$ 6,069,857</u>

Transfers are used to:

- (1) to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them
- (2) to fund capital projects from operating funds.

NOTE 18 JOINT VENTURES

The following are activities undertaken jointly with other municipalities and are excluded from the financial statements:

Southern Tier Central Regional Planning and Development Board - The Counties of Chemung, Steuben, and Schuyler are participants in the joint Southern Tier Central Regional Planning and Development Board. The municipal agreement provides that the participants' share of the cost shall be prorated as agreed upon by the member Counties. In 2005, the County of Chemung contributed \$76,682. As of December 31, 2005, there was no outstanding indebtedness. Audited financial statements may be obtained from the Administrative Offices of the Southern Tier Central Regional Planning Board located at 145 Village Square, Painted Post, New York 14870.

Community College Region - The Corning Community College is operated jointly with the Counties of Chemung, Steuben and Schuyler. The County of Chemung included approximately \$3.8 million in its 2005 real property tax levy to help finance the College's expenditures. In 2005, the County expended \$3,827,360 in residential tuition, which was based on capital and operating costs.

The following is a summary of audited financial information included in the financial statements issued for the joint venture for the year-ended August 31, 2005:

	<u>All Funds</u>
Total Assets	\$ 35,843,528
Total Liabilities	\$ 20,967,382
Net Assets	\$ 14,876,146
Total Revenues	\$ 34,146,663
Total Expenses	\$ 33,581,573

**CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Separate financial statements may be obtained by contacting the administrative office of Corning Community College, 1 Academic Drive, Corning, New York 14830-3297.

NOTE 19 CHEMUNG TOBACCO ASSET SECURITIZATION CORPORATION

Nature of Organization

Chemung Tobacco Asset Securitization Corporation (The Organization), a component unit of the County of Chemung, is a local development corporation created in October, 2000 under Section 1411 of the New York State Not-for-Profit Corporation Law. The Organization was formed to raise funds by issuing bonds, use those funds to acquire the rights to future proceeds from a settlement agreement with various tobacco companies payable to the County of Chemung, and remain in existence during the term of the bonds to collect the tobacco settlement proceeds and service the debt.

The Organization is dependent on future proceeds from the settlement agreement. Proceeds received in excess of the organization's operational expenses, debt service and required reserves are transferred to Chemung County, as the beneficial owner of the residual certificates, subject to restrictions imposed by certain trapping events.

During 2003, the Organization adopted its first amendment to the indenture, dated as of December 1, 2000, between the Organization and Manufacturers and Traders Trust Company, as Trustee. The amendment effectively modifies the indenture to be consistent with the official statement concerning downgrade trapping events as being immediate, in the year in which the event occurred.

RESTRICTED CASH – LIQUIDITY RESERVE

The Organization is required to place a portion of the bond proceeds in trust as a reserve to partially secure payments to the bond holders. The restriction on these funds will be released as the bonds mature and are paid.

RESTRICTED CASH – TRAPPING RESERVE

The Organization is required to place a portion of the bond proceeds in excess of debt service and operational expenses in this account when a "trapping" event occurs. The trapping events include "consumption decline", "downgrade", "lump sum" and "NPM" trapping requirements. During 2003, a downgrade trapping event occurred whereby an Original Participating Manufacturer, with a market share of 7% or more, received a credit rating below "Baa3" by Moody's or "BBB" by Standard & Poors. The downgrade event requires that an amount equal to 25% of the outstanding bond principal be trapped until one year after the end of the downgrade trapping condition. As of December 31, 2005, there were insufficient available assets to fully satisfy the 25% trapping requirement. Future payments of residual certificates will be suspended, and available monies trapped, until the 25% trapping requirement is satisfied or the downgrade condition is removed.

**CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

RESTRICTED SECURITIES – HELD IN TRUST

Tobacco proceeds are held in trust by Manufacturer’s and Trader’s Trust (M & T) on behalf of the Organization. M & T invests the proceeds in highly liquid, interest bearing securities, and performs the transfer of the debt obligations upon the instruction of Bond Logistics, the administrator retained by the Organization.

RESIDUAL PAYABLE TO CHEMUNG COUNTY

The Organization receives 100% of Chemung County’s tobacco settlement proceeds, although only 40% are applicable to the Organization. The residual 60% is refundable to Chemung County. As of December 31, 2005 no residual assets due Chemung County were held by the Organization.

NOTE 19 CHEMUNG TOBACCO ASSET SECURITIZATION CORPORATION (continued)

RELATED PARTY

Chemung Tobacco Asset Securitization Corporation is a special purpose local development corporation, and is considered by legal counsel to be bankruptcy-remote from the County of Chemung. However, the Organization’s board of directors is comprised of four elected or appointed officials of the County of Chemung, and one independent director. For financial reporting purposes, the Organization is considered to be a component unit of the County of Chemung.

NOTE 20 CHANGE IN ACCOUNTING PRINCIPLES RESTATEMENT

The organization now reports tobacco settlement proceeds receivable and revenue according to GASB technical Bulletin No. 2001-1. Only proceeds estimated to be receivable within one year, based on current year tobacco sales, are reported. Previously the receivable was reported at the cost paid for the right to receive the future tobacco settlement proceeds, less the amount already received. The effect of this change on the year ended December 31, 2004 is to decrease the receivable \$5,847,404, decrease the beginning net assets by \$5,961,105, and decrease ending fund balance by \$5,847,404

NOTE 21 PRIOR PERIOD ADJUSTMENTS

The opening fund balance of these financial statements has been adjusted as follows:

<u>Fund Financial Statements</u>	General Fund
Fund Equity as reported at December 31, 2004	\$ 450,884
To properly record FAA funds excluded in prior years	395,971
Fund Equity at December 31, 2004 as restated	<u>\$ 846,855</u>

**CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

<u>Government-Wide Financial Statements</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net assets at December 31, 2004 as previously reported	\$ 45,271,942	\$ 2,000,946
To adjust capital assets to record infrastructure roads, landfill cells and sewer work for the period 1980-2001	27,402,825	-
To adjust items improperly included as construction in progress in prior years	(764,976)	-
To properly record FAA Funds	395,971	-
To account for change in accounting estimate as detailed in NOTE 19	-	(5,847,404)
Net assets at December 31, 2004 as restated	<u>\$ 72,305,762</u>	<u>\$ (3,846,458)</u>

NOTE 22 FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS

The GASB has issued the following statements:

- Statement No. 45 Accounting and Financial Reporting by Employers for Post Employment Benefits other than Pensions. Effective for the period beginning January 1, 2007.
- Statement No. 46 Net Assets Restricted by Enabling Legislation. Effective for the period beginning January 1, 2006.
- Statement No. 47 Accounting for Termination Benefits. Effective for the period beginning January 1, 2006.

These pronouncements will be implemented in the year required by each pronouncement.

COUNTY OF CHEMUNG - STATE OF NEW YORK
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED DECEMBER 31, 2005

	ORIGINAL ADOPTED BUDGET	FINAL AMENDED BUDGET	ACTUAL RESULTS	VARIANCE
REVENUES				
Real property taxes	\$ 23,867,550	\$ 23,867,550	\$ 24,849,518	\$ 981,968
Real property tax Items	1,476,737	1,476,737	1,819,697	342,960
Non-property taxes	30,971,628	31,337,671	30,624,937	(712,734)
Departmental income	13,210,375	13,440,126	16,144,126	2,704,000
Federal aid	24,796,881	25,469,324	21,000,906	(4,468,418)
State aid	24,505,133	26,075,928	23,853,231	(2,222,697)
Intergovernmental revenue	3,932,977	4,116,397	4,509,201	392,804
Use of money and property	486,714	486,714	573,168	86,454
Sale of property and compensation for loss	1,078,456	1,154,286	1,113,698	(40,588)
Licenses and permits	6,000	6,000	5,148	(852)
Fines and forfeitures	381,919	311,082	300,299	(10,783)
Miscellaneous revenue	1,342,739	1,792,383	1,717,484	(74,899)
TOTAL REVENUE AND OTHER SOURCES	126,057,109	129,534,198	126,511,413	(3,022,785)
EXPENDITURES				
General government	9,871,805	10,191,621	10,643,968	(452,347)
Public safety	14,015,150	14,505,916	14,799,097	(293,181)
Transportation	4,536,101	4,536,087	4,265,535	270,552
Health	10,227,234	10,481,755	9,993,260	488,495
Economic assistance and opportunity	71,642,826	73,492,015	65,564,112	7,927,903
Culture and recreation	1,456,996	1,980,181	1,862,116	118,065
Education	3,442,427	3,442,427	3,827,360	(384,933)
Home and community services	717,048	742,684	726,206	16,478
Debt service	4,298,978	4,298,978	4,667,270	(368,292)
TOTAL EXPENDITURES AND OTHER USES	120,208,565	123,671,664	116,348,924	7,322,740
Excess (Deficiency) of Revenues Over Expenditures	5,848,544	5,862,534	10,162,489	4,299,955
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	911,746	911,746
Operating transfers out	(5,835,782)	(6,302,214)	(5,120,741)	1,181,473
TOTAL OTHER FINANCING USES	(5,835,782)	(6,302,214)	(4,208,995)	2,093,219
Excess (Deficiency) of Revenues & Other Sources Over Expenditures and Other Uses	\$ 12,762	\$ (439,680)	5,953,494	\$ 6,393,174
FUND EQUITY - BEGINNING OF YEAR			450,884	
Prior Period Adjustments			395,971	
FUND EQUITY - BEGINNING OF YEAR - RESTATED			<u>846,855</u>	
FUND EQUITY - END OF YEAR			<u>\$ 6,800,349</u>	

The accompanying notes are an integral part of these financial statements.