

CHEMUNG COUNTY NEW YORK

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT



FOR THE YEAR ENDED DECEMBER 31, 2006

**Joseph E. Sartori, CPA
County Treasurer**

COUNTY OF CHEMUNG - STATE OF NEW YORK
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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, 2006, 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 4.12 percent, .28 percent, and 9.72 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. 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, and the Chemung County Transit System, 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, 2006, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2008, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and 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.

Carmelo Niles Whitney & Davis, P.C.

Elmira, New York
January 9, 2008

**COUNTY OF CHEMUNG- STATE OF NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

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, 2006. 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 \$92,392,395 an increase of \$8,215,123 from the restated 2005 balance of \$84,177,272. The unrestricted net assets were \$5,875,753, the invested in capital net of related debt was \$84,970,390 and \$1,546,252 was restricted as of December 31, 2006.
- The governmental "Current Ratio", which is an indicator of liquidity, is 1.36 and 1.39 as of December 31, 2006 and 2005 respectively.
- Governmental activities increased the County's net assets by \$7,897,635 or 8.83% in 2006 compared with an increase of 13.76% in 2005.
- Operating Grants and aid were 30.49% of the total governmental revenue.
- Business type net assets increased \$317,488 or 6.06% from December 31, 2006 to December 31, 2005.
- The beginning net asset balance of governmental activities was restated as follows:
 - To record bridge infrastructure for the period 1980-2001 in the amount of \$7,617,596
 - To correct prior year error in recording mental health receivables \$454,092

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 infrastructure net of accumulated depreciation and reduced by outstanding debt.

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

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.

**COUNTY OF CHEMUNG- STATE OF NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
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COMPONENTS OF THE ANNUAL REPORT (Continued)

GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued):

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 eight 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, 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 to demonstrate compliance with this budget.

The Chemung County Nursing Facility is a 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.

The Workers Compensation and Health Insurance funds are internal service funds that are proprietary funds used to account for the assessments charged to and benefits paid to participating governments for insurance.

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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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.

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		
	2006	2005	CHANGE	2006	2005	CHANGE
ASSETS						
Current and other assets	\$ 50,934,653	\$ 36,291,368	\$ 14,643,285	\$ 5,001,539	\$ 3,942,915	\$ 1,058,624
Capital assets, net	123,205,328	115,653,020	7,552,308	3,990,472	3,935,175	55,297
TOTAL ASSETS	\$ 174,139,981	\$ 151,944,388	\$ 22,195,593	\$ 8,992,011	\$ 7,878,090	\$ 1,113,921
LIABILITIES						
Current liabilities	\$ 41,214,830	\$ 26,368,034	\$ 14,846,796	\$ 3,462,584	\$ 2,986,678	\$ 475,906
Long-term liabilities	35,609,663	36,158,501	(548,838)	10,452,520	10,131,993	320,527
TOTAL LIABILITIES	76,824,493	62,526,535	14,297,958	13,915,104	13,118,671	796,433
NET ASSETS						
Invested in capital assets, net of debt	84,285,920	76,320,111	7,965,809	684,470	767,727	(83,257)
Restricted	1,546,252	984,362	561,890	-	-	-
Unrestricted	11,483,316	12,113,380	(630,064)	(5,607,563)	(6,008,308)	400,745
TOTAL NET ASSETS	97,315,488	89,417,853	7,897,635	(4,923,093)	(5,240,581)	317,488
TOTAL LIABILITIES AND NET ASSETS	\$ 174,139,981	\$ 151,944,388	\$ 22,195,593	\$ 8,992,011	\$ 7,878,090	\$ 1,113,921

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		
	2006	2005	CHANGE	2006	2005	CHANGE
REVENUE						
Program revenue:						
Charges for services	\$ 28,495,247	\$ 31,130,691	\$ (2,635,444)	\$ 16,252,587	\$ 14,157,033	\$ 2,095,554
Operating grants and contributions	45,743,947	43,418,537	2,325,410	-	-	-
Capital grants and contributions	11,670,090	6,970,574	4,699,516	-	-	-
General revenues:						
Property taxes	25,854,083	28,130,560	(2,276,477)	-	-	-
Other taxes	32,959,987	32,444,634	515,353	-	-	-
Other revenue	5,290,974	6,385,947	(1,094,973)	1,004,713	180,362	824,351
TOTAL REVENUE	150,014,328	148,480,943	1,533,385	17,257,300	14,337,395	2,919,905

**COUNTY OF CHEMUNG- STATE OF NEW YORK
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SUMMARY COMPARISON OF ACTIVITIES (continued)

EXPENSES	GOVERNMENTAL ACTIVITIES			BUSINESS TYPE ACTIVITIES		
	2006	2005	CHANGE	2006	2005	CHANGE
General government	13,689,179	13,189,627	499,552	-	-	-
Public safety	17,672,300	15,482,594	2,189,706	-	-	-
Transportation	15,028,454	14,525,518	502,936	-	-	-
Health	11,606,317	10,285,616	1,320,701	16,388,269	15,196,179	1,192,090
Economic assistance and opportunity	66,950,064	66,363,525	586,539	-	-	-
Culture and recreation	2,182,062	3,533,294	(1,351,232)	-	-	-
Education	3,790,932	3,827,360	(36,428)	-	-	-
Home and community services	8,928,963	9,447,941	(518,978)	-	-	-
Interest expense	2,268,422	2,262,137	6,285	551,543	535,339	16,204
TOTAL EXPENSES	142,116,693	138,917,612	3,199,081	16,939,812	15,731,518	1,208,294
Change in net assets	7,897,635	9,563,331	(1,665,696)	317,488	(1,394,123)	1,711,611
Net Assets-Beginning-Restated	89,417,853	79,854,522	9,563,331	(5,240,581)	(3,846,458)	(1,394,123)
Net Assets-Ending	<u>\$ 97,315,488</u>	<u>\$ 89,417,853</u>	<u>\$ 7,897,635</u>	<u>\$ (4,923,093)</u>	<u>\$ (5,240,581)</u>	<u>\$ 317,488</u>

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

FACTORS AFFECTING OVERALL FINANCIAL POSITION

Governmental Activities-During 2006 governmental activities resulted in an overall increase of net assets of \$7,897,635 which represents a 8.83% 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	2006	2005	INCREASE (DECREASE)
	PERCENTAGE OF REVENUE	PERCENTAGE OF REVENUE	
State and Federal aid	38.27%	33.94%	4.33%
Property tax and related items	18.13%	20.17%	-2.04%
Non property tax items	21.08%	20.63%	0.45%
Departmental income	14.32%	16.27%	-1.95%
Other	8.20%	8.99%	-0.79%
Total	<u>100.00%</u>	<u>100.00%</u>	<u>0.00%</u>

The 1.95% decrease in departmental income was due to one-time payments in 2005 associated with the leasing of the landfill to Casella Waste Management.

The 4.33% increase in State and federal aid was due primarily to increases in preventive programming which is 65% open-ended state funding.

Overall public assistance payments for 2006 and 2005 were as follows:

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PROGRAM	2006	2005	DIFFERENCE	PERCENTAGE CHANGE
Temporary Assistance	\$ 4,253,783	\$ 4,846,689	\$ (592,906)	-12.23%
Safety Net	3,401,970	3,124,443	277,527	8.88%
Medicaid	18,015,822	20,709,934	(2,694,112)	-13.01%
Children services	14,100,644	14,664,121	(563,477)	-3.84%

There was an overall decrease of \$3,572,968 in public assistance costs in 2006. This reduction was due primarily to a reduction in Medicaid expenses of 13%. This reduction resulted from a full year of implementation in the Medicaid cap implemented by the State of New York.

FACTORS AFFECTING OVERALL FINANCIAL POSITION (continued)

Business Type Activities-During 2006 the Chemung County Nursing Facility (the Facility) had an overall increase in net assets of \$129,735 which represents a 86.86% increase. The Facility receives 96% of its revenue from patient services which were up \$1,615,445 or 12.17% over 2005. 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 2006 under this program, which was unchanged from 2005.

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.

Proprietary Fund-The Chemung County Nursing Facility is a proprietary fund. At December 31, 2006 the Nursing Facility had a net fund balance of \$279,094 available for use in future periods.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets-The County's investment in capital assets, net of accumulated depreciation and related debt, for governmental and business-type activities as of December 31, 2006 was \$84,285,920 which represents an increase of \$7,965,809 over the restated 2005 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 1980-2006 in accordance with GASB 34.

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

Long-Term Debt-The County had total general obligation bonds payable of \$47,616,484 as of December 31, 2006. The overall long-term debt was decreased \$473,466 from the balance of \$48,089,950 as of December 31, 2005. The County borrowed \$4,278,620 in 2006 for various capital projects.

ECONOMIC OUTLOOK AND FUTURE BUDGETS

Chemung County lead the state in job growth with a 2.8% per capita increase in 2006. The state average per capita increase was 0.7%.

Job growth has been particularly strong in the manufacturing sector. Synthes USA completed construction of a \$14 million facility to manufacture orthopedic implants in 2005 and are now starting a \$7 million expansion of that facility. Once completed the expansion will result in 100 new jobs.

Sikorski Hawkworks is completing a \$16 million facility to assemble Blackhawk helicopters for the Army and Navy. Construction was completed in the fall of 2007 and the plant will employ an additional 250 people.

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Thomas and Betts, a manufacturer of telecommunications equipment is consolidating its entire North American operation. This consolidation will result in the expansion of their Horseheads operation and the expected creation of ninety new jobs.

Eaton Electric has expanded its operation and added sixty new jobs.

The 860,000 square foot Westinghouse building has recently been purchased. The new owners intend to renovate and lease the plant.

Retail development in Chemung County has experienced another solid year of growth. Construction began on the new \$70 million Southern Tier Crossings Shopping complex. Kohl's has already opened and construction is underway on a Circuit City and a Super Wal-Mart.

Finally the conversion of NYS Route 17 to Interstate 86 was completed through Horseheads to the Elmira Exit in July of 2007. The interstate designation is vital to the future economic growth of the County.

GENERAL FUND BUDGET MODIFICATIONS

Budgeted appropriations were increased by \$4,309,074 from the original adopted budget. The budgetary changes are summarized as follows:

	BUDGET		
	ORIGINAL	MODIFIED	CHANGE
General government	\$ 10,978,758	11,621,692	\$ 642,934
Public safety	15,454,013	16,624,313	1,170,300
Transportation	4,897,741	4,898,104	363
Health	11,249,719	11,804,748	555,029
Economic assistance and opportunity	65,134,875	66,237,571	1,102,696
Culture and recreation	2,307,469	2,322,297	14,828
Education	3,856,445	3,856,445	-
Home and community services	815,630	1,815,235	999,605
Debt service	4,484,186	4,484,186	-
	<u>\$ 119,178,836</u>	<u>\$ 123,664,591</u>	<u>\$ 4,485,755</u>

- Public safety appropriation increases resulted from an increase in appropriations of Sheriff personnel costs of about \$732,000 and Sheriff equipment cost of about \$260,000.
- The Health budget increases were due to increased appropriations in mental health personnel and equipment. These increases corresponded to increased funding.
- Increases in appropriations for economic assistance and opportunity resulted from increases in temporary assistance, day care and children services contract expenses.

GENERAL FUND FINAL BUDGET COMPARED TO ACTUAL EXPENDITURES

Actual expenditures were \$1,753,424 less than the final budget. The budget to actual fluctuations are summarized below:

	MODIFIED	ACTUAL	VARIANCE
	BUDGET	EXPENDITURES	
General government	\$ 11,621,692	\$ 11,306,700	\$ (314,992)
Public safety	16,624,313	16,100,045	(524,268)
Transportation	4,898,104	4,790,621	(107,483)
Health	11,804,748	11,173,936	(630,812)
Economic assistance and opportunity	66,237,571	66,192,646	(44,925)
Culture and recreation	2,322,297	2,047,105	(275,192)
Education	3,856,445	3,790,932	(65,513)
Home and community services	1,815,235	1,723,935	(91,300)
Debt service	4,484,186	4,608,567	124,381
	<u>\$ 123,664,591</u>	<u>\$ 121,734,487</u>	<u>\$ (1,930,104)</u>

- General Government actual expenses were lower than the adjusted budget due to lower payroll, health insurance and retirement costs. Payroll expenses were lower than budgeted by approximately \$60,000. Lower payroll expense

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in the Public Defenders Office, Treasurer's Office and the Clerk's Office comprised the bulk of the variance. Additionally, health insurance costs were roughly \$30,000 lower than budget and the retirement expense was about \$66,000 below budget.

- Public Safety actual expenses were less than the final budget due to reduced overtime in the Sheriffs Department resulting in a \$330,000 savings, a retirement savings of approximately \$42,000 and equipment and capital projects budgeted but not expended by the end of 2006. The equipment and capital projects were purchased in 2007.
- Transportation actual expenses were less than the final budget due to reductions in payroll and retirement costs.
- Health actual expenses were less than the final budget due to reductions in Mental Health payroll and contractual expenses of approximately \$440,000. Additionally, retirement costs were lower than budgeted by approximately \$60,000

GENERAL FUND FINAL BUDGET COMPARED TO ACTUAL EXPENDITURES (continued)

- Economic assistance actual expenses exceeded budget due to greater than anticipated costs in child protective services and pre kindergarten services.
- Culture and recreation actual expenses were less than the final budget due to reductions in payroll and retirement costs.
- Education was down slightly due to payment of fewer community college charge-backs for Chemung County residents.
- Home and community expenses exceeded budget minimally due to slight cost overruns in some areas.
- Debt service expense was slightly higher than budget because payment of debt service on the 2005 borrowing was budgeted at a lower amount than was actually due. The budget was finalized prior to the borrowing.

COUNTY FINANCIAL INFORMATION

Chemung County Financial information can be obtained from the Chemung County Treasurer's Office, 320 E. Market Street, Elmira, NY 14901 or on the County website at chemungcounty.com

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 24 of these financial statements.

**COUNTY OF CHEMUNG - STATE OF NEW YORK
STATEMENT OF NET ASSETS
DECEMBER 31, 2006**

	PRIMARY GOVERNMENT			COMPONENT UNITS	
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	GOVERNMENTAL ACTIVITY	BUSINESS-TYPE ACTIVITY
				SOIL AND WATER	INDUSTRIAL DEVELOP. AGENCY
ASSETS					
CURRENT ASSETS					
Cash	\$ 7,997,711	\$ 37,304	\$ 8,035,015	\$ 341,048	\$ 5,867
Accounts receivable	7,603,820	4,771,263	12,375,083	-	812
Grant receivable	-	-	-	-	2,091,256
Taxes receivable	7,255,365	-	7,255,365	-	-
Receivable from external parties	14,285,985	99,920	14,385,905	-	-
State and federal receivables	12,736,560	-	12,736,560	-	-
Prepaid expenses	1,055,212	2,750	1,057,962	-	1,989
Current portion of reimbursement receivable	-	-	-	-	10,677
Current portion of loans receivable	-	-	-	-	513,026
Inventory of supplies, at cost	-	90,302	90,302	-	-
TOTAL CURRENT ASSETS	50,934,653	5,001,539	55,936,192	341,048	2,623,627
NON-CURRENT ASSETS					
Restricted cash	-	915,395	915,395	-	3,183,987
Unamortized bond issuance costs	-	206,004	206,004	-	-
Reimbursement receivable, net of current portion	-	-	-	-	42,708
Loans receivable, net of current portion	-	-	-	-	1,362,138
Other assets	-	-	-	-	75,900
CAPITAL ASSETS					
Non-depreciable capital assets	19,757,880	48,287	19,806,167	-	4,826,916
Net capital assets	103,447,448	2,820,786	106,268,234	-	149,301
TOTAL NON-CURRENT ASSETS	123,205,328	3,990,472	127,195,800	-	9,640,950
TOTAL ASSETS	\$ 174,139,981	\$ 8,992,011	\$ 183,131,992	\$ 341,048	\$ 12,264,577
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	\$ 3,735,566	\$ 256,236	\$ 3,991,802	\$ -	\$ 2,504,359
Accrued liabilities	6,250,969	38,618	6,289,587	-	-
Accrued compensation	753,644	783,980	1,537,624	-	-
Accrued interest	1,005,288	-	1,005,288	-	-
Current portion, general obligation bonds payable	4,715,703	151,490	4,867,193	-	1,472,779
Bond anticipation notes payable	1,253,672	-	1,253,672	-	-
Internal balances	(2,232,260)	2,232,260	-	-	-
Payable to external parties	19,209,239	-	19,209,239	-	-
Due to other governments	2,470,227	-	2,470,227	-	-
Deferred revenue	3,777,782	-	3,777,782	-	-
Other liabilities	275,000	-	275,000	-	-
TOTAL CURRENT LIABILITIES	41,214,830	3,462,584	44,677,414	-	3,977,138
NON-CURRENT LIABILITIES					
Accrued compensated absences	1,916,012	-	1,916,012	-	-
Notes and bonds payable	33,693,651	9,055,640	42,749,291	-	1,536,314
Deferred revenue-revolving loan fund	-	-	-	-	3,183,987
Other liabilities	-	1,396,880	1,396,880	-	-
TOTAL NON-CURRENT LIABILITIES	35,609,663	10,452,520	46,062,183	-	4,720,301
TOTAL LIABILITIES	76,824,493	13,915,104	90,739,597	-	8,697,439
NET ASSETS					
Invested in capital assets, net of related debt	84,285,920	684,470	84,970,390	-	4,075,825
Restricted for:					
Restricted-Federal Aviation Administration	1,038,249	-	1,038,249	-	-
Capital improvements	508,003	-	508,003	-	-
Unrestricted	11,483,316	(5,607,563)	5,875,753	341,048	(508,687)
TOTAL NET ASSETS	97,315,488	(4,923,093)	92,392,395	341,048	3,567,138
TOTAL LIABILITIES AND NET ASSETS	\$ 174,139,981	\$ 8,992,011	\$ 183,131,992	\$ 341,048	\$ 12,264,577

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, 2006**

FUNCTIONS / PROGRAMS	PROGRAM REVENUES						COMPONENT UNITS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL	GOVERNMENTAL COMPONENT UNITS	BUSINESS-TYPE COMPONENT UNITS
GOVERNMENTAL ACTIVITIES									
General government support	\$ 13,689,179	\$ 12,853,562	\$ 1,940,652	\$ -	\$ 1,105,035	\$ -	\$ 1,105,035	\$ -	\$ -
Public safety	17,672,300	1,318,515	1,493,403	-	(14,860,382)	-	(14,860,382)	-	-
Transportation	15,028,454	2,828,298	-	11,670,090	(530,066)	-	(530,066)	-	-
Health	11,606,317	3,276,690	4,527,334	-	(3,802,293)	-	(3,802,293)	-	-
Economic assistance and opportunity	66,950,064	1,838,281	36,297,016	-	(28,814,767)	-	(28,814,767)	-	-
Culture and recreation	2,182,062	187,721	1,485,542	-	(508,799)	-	(508,799)	-	-
Education	3,790,932	-	-	-	(3,790,932)	-	(3,790,932)	-	-
Home and community services	8,928,963	6,192,180	-	-	(2,736,783)	-	(2,736,783)	-	-
Interest expense on long-term debt	2,268,422	-	-	-	(2,268,422)	-	(2,268,422)	-	-
TOTAL GOVERNMENTAL ACTIVITIES	142,116,693	28,495,247	45,743,947	11,670,090	(56,207,409)	-	(56,207,409)	-	-
BUSINESS TYPE ACTIVITIES									
Chemung County Nursing Facility	16,426,852	16,252,587	-	-	-	(174,265)	(174,265)	-	-
Chemung County Tobacco Asset Securitization Corp.	512,960	-	-	-	-	(512,960)	(512,960)	-	-
TOTAL BUSINESS TYPE ACTIVITIES	16,939,812	16,252,587	-	-	-	(687,225)	(687,225)	-	-
TOTAL PRIMARY GOVERNMENT	\$ 159,056,505	\$ 44,747,834	\$ 45,743,947	\$ 11,670,090	(56,207,409)	(687,225)	(56,894,634)	-	-
COMPONENT UNITS									
Business-Type Activities	\$ 802,159	\$ -	\$ 2,140,713	\$ -	-	-	-	-	1,338,554
Governmental-Type Activities	565,371	59,977	539,946	-	-	-	-	34,552	-
TOTAL COMPONENT UNITS	\$ 1,367,530	\$ 59,977	\$ 2,680,659	\$ -	-	-	-	34,552	1,338,554
GENERAL REVENUES:									
TAXES									
Real property tax					25,854,083	-	25,854,083	-	-
Real property tax items					1,337,505	-	1,337,505	-	-
Non-property tax items					31,622,482	-	31,622,482	-	-
OTHER									
Interest and earnings					730,245	698,339	1,428,584	5,839	117,708
Rental of real property, equipment and books					146,630	-	146,630	1,379	-
Gain on disposition of assets					1,165,590	-	1,165,590	-	-
Miscellaneous sources					3,550,270	-	3,550,270	-	-
Intergovernmental transfers					(304,000)	304,000	-	-	-
Other revenue					2,239	-	2,239	28,484	-
Unrealized gain (loss)					-	2,374	2,374	-	-
TOTAL GENERAL REVENUES					64,105,044	1,004,713	65,109,757	35,702	117,708
CHANGES IN NET ASSETS					7,897,635	317,488	8,215,123	70,254	1,456,262
Net Assets-Beginning of Year, Restated See Note 21					89,417,853	(5,240,581)	84,177,272	270,794	2,110,876
Net Assets-End of Year					\$ 97,315,488	\$ (4,923,093)	\$ 92,392,395	\$ 341,048	\$ 3,567,138

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

COUNTY OF CHEMUNG - STATE OF NEW YORK
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	<u>GENERAL FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>				
CURRENT ASSETS				
Cash	\$ 1,550,569	\$ 5,512,472	\$ 929,421	\$ 7,992,462
Accounts receivable	4,846,333	96,497	647,533	5,590,363
Taxes receivable	7,255,365	-	-	7,255,365
Due from other funds	19,046,091	1,377,320	10,654,322	31,077,733
Receivable from external parties	14,285,985	-	-	14,285,985
State and federal receivables	11,333,419	1,399,392	-	12,732,811
Prepaid expenses	-	-	1,055,212	1,055,212
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 58,317,762</u>	<u>\$ 8,385,681</u>	<u>\$ 13,286,488</u>	<u>\$ 79,989,931</u>
<u>LIABILITIES AND FUND EQUITY</u>				
LIABILITIES				
Accounts payable	\$ 2,807,434	\$ 677,175	\$ 244,855	\$ 3,729,464
Accrued liabilities	2,093,651	262,635	276,118	2,632,404
Revenue and bond anticipation notes	-	1,253,673	-	1,253,673
Due to other governments	2,138,948	-	2,396	2,141,344
Due to other funds	20,766,434	2,616,793	7,913,977	31,297,204
Payable to external parties	19,013,311	165,622	-	19,178,933
Deferred revenue	3,777,782	-	-	3,777,782
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	<u>50,597,560</u>	<u>4,975,898</u>	<u>8,437,346</u>	<u>64,010,804</u>
FUND EQUITY				
Reserved fund balance				
Special purposes	3,624,638	-	-	3,624,638
Capital projects	-	508,003	-	508,003
Unreserved-designated fund balance	-	-	-	-
Unreserved-undesignated fund balance	4,095,564	2,901,780	-	6,997,344
Unreserved-undesignated fund balance - reported in:				
Special revenue funds	-	-	3,609,845	3,609,845
Debt Service	-	-	1,239,297	1,239,297
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL FUND BALANCE	<u>7,720,202</u>	<u>3,409,783</u>	<u>4,849,142</u>	<u>15,979,127</u>
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 58,317,762</u>	<u>\$ 8,385,681</u>	<u>\$ 13,286,488</u>	<u>\$ 79,989,931</u>

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, 2006

Total Governmental Fund Balance \$ 15,979,127

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	81,640,625	
Buildings and improvements	56,442,198	
Furniture, Vehicles and Equipment	23,738,656	
Construction in progress	4,046,990	
TOTAL CAPITAL ASSETS	182,610,081	
Less: Accumulated Depreciation	(59,404,753)	123,205,328

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

Accrued compensated absences	\$ (2,669,656)	
Accrued Group Health Liability	(275,000)	
Voluntary termination benefits are not reported in the fund balance sheet in the amount of	(175,201)	
Installment debt due to other government	(328,884)	
Accrued interest payable	(1,005,288)	
General obligation bonds payable	(38,409,354)	(42,863,383)

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	\$ 990,980	
Self-Insurance Fund	3,436	994,416

Net Assets of Governmental Activities \$ 97,315,488

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, 2006

	GENERAL FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Real property taxes	\$ 22,901,827	\$ -	\$ 2,952,256	\$ 25,854,083
Real property tax items	1,337,505	-	-	1,337,505
Non-property taxes	31,622,482	-	-	31,622,482
Departmental income	13,379,855	-	5,087,902	18,467,757
Federal aid	20,911,709	7,359,069	106,231	28,377,009
State aid	26,981,194	829,659	1,226,175	29,037,028
Intergovernmental revenue	4,459,105	2,239	-	4,461,344
Use of money and property	791,298	-	990,498	1,781,796
Sale of property and compensation for loss	1,142,177	-	47,405	1,189,582
Licenses and permits	5,684	-	7,490	13,174
Fines and forfeitures	333,651	-	-	333,651
Miscellaneous revenue	3,266,938	54,156	82,026	3,403,120
Total Revenue	<u>127,133,425</u>	<u>8,245,123</u>	<u>10,499,983</u>	<u>145,878,531</u>
EXPENDITURES				
General government	11,306,700	1,028,437	-	12,335,137
Public safety	16,100,045	1,145,129	-	17,245,174
Transportation	4,790,621	10,890,646	5,978,506	21,659,773
Health	11,173,936	-	-	11,173,936
Economic assistance and opportunity	66,192,646	-	-	66,192,646
Culture and recreation	2,047,105	-	-	2,047,105
Education	3,790,932	-	-	3,790,932
Home and community services	1,723,935	143,443	6,338,254	8,205,632
Debt service	4,608,567	-	2,159,316	6,767,883
Total Expenditures	<u>121,734,487</u>	<u>13,207,655</u>	<u>14,476,076</u>	<u>149,418,218</u>
Excess (Deficiency) of Revenues Over Expenditures	5,398,938	(4,962,532)	(3,976,093)	(3,539,687)
OTHER FINANCING SOURCES (USES)				
Proceeds from obligations	-	4,043,724	-	4,043,724
Operating transfers in	-	-	3,725,606	3,725,606
Operating Transfers out	(4,029,606)	-	-	(4,029,606)
Total Other Financing Sources (Uses)	<u>(4,029,606)</u>	<u>4,043,724</u>	<u>3,725,606</u>	<u>3,739,724</u>
Excess (Deficit) of Revenue and Other Sources Over Expenditures and Other Uses	1,369,332	(918,808)	(250,487)	200,037
Residual Equity Transfer	4,613	-	(4,613)	-
Fund Equity-Beginning of Year, Restated See Note 21	<u>6,346,257</u>	<u>4,328,591</u>	<u>5,104,242</u>	<u>15,779,090</u>
Fund Equity-End of Year	<u>\$ 7,720,202</u>	<u>\$ 3,409,783</u>	<u>\$ 4,849,142</u>	<u>\$ 15,979,127</u>

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, 2006

Net Change in Fund Equity-Total Governmental Funds \$ 200,037

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	\$ 14,431,021	
Depreciation expense	<u>(6,854,718)</u>	7,576,303

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: (23,995)

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	(171,578)
Voluntary termination incentives	(175,201)
Due to other governments	203,126

Receipt of bond proceeds is a revenue in the governmental funds, but the receipt increases the liabilities in the Statement of Net Assets (4,043,724)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets 4,457,222

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. (166,794)

Interest is reported as an expenditure when due in the government funds, but accrued on outstanding obligations on the statement of activities 42,239

Changes in Net Assets of Governmental Activities \$ 7,897,635

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, 2006

	ENTERPRISE FUNDS			INTERNAL SERVICE FUNDS
	NURSING FACILITY	CHEMUNG TOBACCO ASSET SECURITIZATION CORPORATION	TOTAL ENTERPRISE FUNDS	
<u>ASSETS</u>				
CURRENT ASSETS				
Cash and securities	\$ 10,900	\$ 26,404	\$ 37,304	\$ 5,249
Accounts receivable	4,101,476	669,787	4,771,263	2,013,458
State and federal receivables	-	-	-	3,749
Due from other funds	-	-	-	12,102,087
Due from external parties	99,920	-	99,920	-
Prepaid expenses	-	2,750	2,750	-
Inventory of supplies, at cost	90,302	-	90,302	-
TOTAL CURRENT ASSETS	4,302,598	698,941	5,001,539	14,124,543
NON-CURRENT ASSETS				
Restricted cash	-	915,395	915,395	-
Unamortized bond issuance costs	-	206,004	206,004	-
CAPITAL ASSETS				
Non-depreciable capital assets	48,287	-	48,287	-
Net capital assets	2,820,786	-	2,820,786	-
TOTAL NON-CURRENT ASSETS	2,869,073	1,121,399	3,990,472	-
TOTAL ASSETS	\$ 7,171,671	\$ 1,820,340	\$ 8,992,011	\$ 14,124,543
<u>LIABILITIES</u>				
CURRENT LIABILITIES				
Accounts payable	\$ 256,236	\$ -	\$ 256,236	\$ 6,100
Accrued liabilities	38,618	-	38,618	3,443,364
Accrued compensation and related liabilities	783,980	-	783,980	-
Current portion, notes and bonds payable	151,490	-	151,490	-
Due to other funds	2,232,260	-	2,232,260	9,650,358
Due to external parties	-	-	-	30,305
TOTAL CURRENT LIABILITIES	3,462,584	-	3,462,584	13,130,127
NON-CURRENT LIABILITIES				
Workers' compensation benefits	1,396,880	-	1,396,880	-
Notes and bonds payable	2,033,113	7,022,527	9,055,640	-
TOTAL NON-CURRENT LIABILITIES	3,429,993	7,022,527	10,452,520	-
TOTAL LIABILITIES	6,892,577	7,022,527	13,915,104	13,130,127
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	684,470	-	684,470	-
Unrestricted	(405,376)	(5,202,187)	(5,607,563)	994,416
TOTAL NET ASSETS	279,094	(5,202,187)	(4,923,093)	994,416
TOTAL LIABILITIES AND NET ASSETS	\$ 7,171,671	\$ 1,820,340	\$ 8,992,011	\$ 14,124,543

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, 2006**

	<u>ENTERPRISE FUNDS</u>			<u>INTERNAL SERVICE FUNDS</u>
	<u>NURSING FACILITY</u>	<u>CHEMUNG TOBACCO ASSET SECURITIZATION CORPORATION</u>	<u>TOTAL ENTERPRISE FUNDS</u>	
OPERATING REVENUES				
Charges for services	\$ 14,894,600	\$ -	\$ 14,894,600	\$ 14,214,070
Other revenue	1,357,987	-	1,357,987	147,156
Investment income	-	698,339	698,339	-
Unrealized gain	-	2,374	2,374	-
TOTAL OPERATING REVENUE	<u>16,252,587</u>	<u>700,713</u>	<u>16,953,300</u>	<u>14,361,226</u>
OPERATING EXPENSES				
Personal services	7,689,733	-	7,689,733	-
Employee benefits	3,176,644	-	3,176,644	13,126,215
Contractual expenses	4,530,413	31,151	4,561,564	-
Depreciation	233,252	-	233,252	-
Bond amortization expense	-	14,026	14,026	-
Indirect expense	304,000	-	304,000	-
Interest expense	-	467,783	467,783	-
Workers' compensation benefits	409,050	-	409,050	1,401,805
TOTAL OPERATING EXPENSES	<u>16,343,092</u>	<u>512,960</u>	<u>16,856,052</u>	<u>14,528,020</u>
OPERATING INCOME (LOSS)	(90,505)	187,753	97,248	(166,794)
NON-OPERATING REVENUE (EXPENSES)				
Intergovernmental transfer	304,000	-	304,000	-
Interest expense	(83,760)	-	(83,760)	-
TOTAL NON-OPERATING REVENUE (EXPENSES)	<u>220,240</u>	<u>-</u>	<u>220,240</u>	<u>-</u>
CHANGES IN NET ASSETS	129,735	187,753	317,488	(166,794)
Net Assets-Beginning of Year	<u>149,359</u>	<u>(5,389,940)</u>	<u>(5,240,581)</u>	<u>1,161,210</u>
Net Assets-End of Year	<u>\$ 279,094</u>	<u>\$ (5,202,187)</u>	<u>\$ (4,923,093)</u>	<u>\$ 994,416</u>

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, 2006**

	ENTERPRISE FUND			INTERNAL SERVICE FUNDS
	NURSING FACILITY	CHEMUNG TOBACCO ASSET SECURITIZATION CORPORATION	TOTAL ENTERPRISE FUNDS	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from services	\$ 14,045,154	\$ 631,225	\$ 14,676,379	\$ 10,970,640
Other receipts	350,292	-	350,292	147,156
Intergovernmental transfer payments	588,579	-	588,579	-
Payments to suppliers and contractors	(4,190,319)	(33,901)	(4,224,220)	-
Payments to employees for services and benefits	(10,865,491)	-	(10,865,491)	-
Payments for workers' compensation benefits	-	-	-	(393,449)
Payments to employees for services and benefits	-	-	-	(10,724,890)
Payments of tobacco bond interest	-	(461,889)	(461,889)	-
Proceeds from tobacco receipts	-	59,204	59,204	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(71,785)	194,639	122,854	(543)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers (to) from other funds	304,000	-	304,000	-
NET CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	304,000	-	304,000	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Increase in restricted cash and investments	-	(51,068)	(51,068)	-
NET CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	-	(51,068)	(51,068)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase and construction of capital assets	(249,133)	-	(249,133)	-
Proceeds from issuance of bonds	234,896	-	234,896	-
Payment of bond and bond anticipation note principal	(135,758)	(165,000)	(300,758)	-
Payment of bond and bond anticipation note interest	(82,220)	-	(82,220)	-
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(232,215)	(165,000)	(397,215)	-
Net Increase in Cash and Cash Equivalents	-	(21,429)	(21,429)	(543)
Cash and Cash Equivalents-Beginning of Year	10,900	47,833	58,733	5,792
Cash and Cash Equivalents-End of Year	<u>\$ 10,900</u>	<u>\$ 26,404</u>	<u>\$ 37,304</u>	<u>\$ 5,249</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (90,505)	\$ 187,753	\$ 97,248	\$ (166,794)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation and amortization	233,252	14,026	247,278	-
Unrealized (gain) loss	-	(2,374)	(2,374)	-
Consumption of discount on bonds	-	5,894	5,894	-
Changes in Assets and Liabilities:				
Patient accounts receivable	(537,005)	-	(537,005)	-
Accounts receivable	(419,116)	(7,910)	(427,026)	(119,663)
Inventory	(13,352)	-	(13,352)	-
State and federal receivables	794,232	-	794,232	(163)
Due from other funds	-	-	-	(3,123,604)
Due to other funds	-	-	-	2,092,201
Due to external parties	-	-	-	30,305
Prepaid expenses	-	(2,750)	(2,750)	-
Accounts payable	(136,786)	-	(136,786)	1,600
Accrued compensation and related liabilities	409,936	-	409,936	1,285,575
Third party payor settlements, net	(312,441)	-	(312,441)	-
Net Cash (Used) Provided by Operating Activities	<u>\$ (71,785)</u>	<u>\$ 194,639</u>	<u>\$ 122,854</u>	<u>\$ (543)</u>

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, 2006**

	<u>ASSETS</u>	<u>AGENCY</u>
CURRENT ASSETS		
Cash and cash equivalents		\$ 1,189,678
Accounts receivable		127,268
Receivable from external parties		19,428,818
TOTAL ASSETS		<u>\$ 20,745,764</u>
	<u>LIABILITIES</u>	
Other Liabilities		\$ 6,140,280
Payable to external parties		14,605,484
TOTAL LIABILITIES		<u>\$ 20,745,764</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, 2006**

	WORKERS' COMPENSATION FUND	SELF INSURANCE FUND	TOTAL
<u>ASSETS</u>			
CURRENT ASSETS			
Cash	\$ 85	\$ 5,164	\$ 5,249
Accounts receivable	1,870,304	143,154	2,013,458
State and federal receivables	-	3,749	3,749
Due from other funds	2,060,310	10,041,777	12,102,087
 TOTAL CURRENT ASSETS	 3,930,699	 10,193,844	 14,124,543
 TOTAL ASSETS	 \$ 3,930,699	 \$ 10,193,844	 \$ 14,124,543
<u>LIABILITIES</u>			
CURRENT LIABILITIES			
Accounts payable	\$ 463	\$ 5,637	\$ 6,100
Accrued liabilities	1,718,820	1,724,544	3,443,364
Due to other funds	1,220,436	8,429,922	9,650,358
Due to external parties	-	30,305	30,305
 TOTAL CURRENT LIABILITIES	 2,939,719	 10,190,408	 13,130,127
 TOTAL LIABILITIES	 2,939,719	 10,190,408	 13,130,127
<u>NET ASSETS</u>			
Unrestricted	990,980	3,436	994,416
 TOTAL NET ASSETS	 990,980	 3,436	 994,416
 TOTAL LIABILITIES AND NET ASSETS	 \$ 3,930,699	 \$ 10,193,844	 \$ 14,124,543

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, 2006**

	<u>WORKERS' COMPENSATION FUND</u>	<u>SELF INSURANCE FUND</u>	<u>TOTAL</u>
OPERATING REVENUES			
Charges for services	\$ 1,298,353	\$ 12,915,717	\$ 14,214,070
Other revenue	147,156	-	147,156
TOTAL OPERATING REVENUE	<u>1,445,509</u>	<u>12,915,717</u>	<u>14,361,226</u>
OPERATING EXPENSES			
Employee health benefits	-	13,126,215	13,126,215
Workers' compensation benefits	1,401,805	-	1,401,805
TOTAL OPERATING EXPENSES	<u>1,401,805</u>	<u>13,126,215</u>	<u>14,528,020</u>
OPERATING INCOME (LOSS)	43,704	(210,498)	(166,794)
CHANGES IN NET ASSETS	43,704	(210,498)	(166,794)
Net Assets-Beginning of Year	<u>947,276</u>	<u>213,934</u>	<u>1,161,210</u>
Net Assets-End of Year	<u>\$ 990,980</u>	<u>\$ 3,436</u>	<u>\$ 994,416</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, 2006**

	WORKERS' COMPENSATION FUND	SELF INSURANCE FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from services	\$ 245,250	\$ 10,725,390	\$ 10,970,640
Payments for workers' compensation benefits	(393,449)	-	(393,449)
Payments to employees for services and benefits	-	(10,724,890)	(10,724,890)
Other receipts	147,156	-	147,156
	<u>(1,043)</u>	<u>500</u>	<u>(543)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Net Increase in Cash and Cash Equivalents	(1,043)	500	(543)
Cash and Cash Equivalents-Beginning of Year	1,128	4,664	5,792
Cash and Cash Equivalents-End of Year	<u>\$ 85</u>	<u>\$ 5,164</u>	<u>\$ 5,249</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating income	\$ 43,704	\$ (210,498)	\$ (166,794)
Changes in Assets and Liabilities:			
Accounts receivable	(28,454)	(91,209)	(119,663)
Due from other funds	(1,024,649)	(2,098,955)	(3,123,604)
State and federal receivables	-	(163)	(163)
Due to other funds	975,166	1,117,035	2,092,201
Due to external parties	-	30,305	30,305
Accounts payable	463	1,137	1,600
Accrued liabilities	32,727	1,252,848	1,285,575
	<u>(1,043)</u>	<u>500</u>	<u>(543)</u>
Net Cash Provided (Used) by Operating Activities			

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

**COUNTY OF CHEMUNG- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

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, INC (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 2006 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.

Steele Memorial Library A Library District was created on January 1, 2006 as the result of a public referendum held on November 7, 2005. The district was created with the authority to raise property taxes to fund its operations. All of the assets of the Library Fund were transferred to the library district as of January 1, 2006. See Note 20 for a further explanation of the Chemung County Library District.

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

**COUNTY OF CHEMUNG- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

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 or 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

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.

**COUNTY OF CHEMUNG- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

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 Funds - used to account for the Chemung County Nursing Facility and the Chemung County Tobacco Asset Securitization Corporation.

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.

**COUNTY OF CHEMUNG- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

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.

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.

**COUNTY OF CHEMUNG- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

<u>ASSET CLASS</u>	<u>CAPITALIZATION THRESHOLD</u>	<u>ASSET LIFE IN YEARS</u>
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, 2006, the County completed the transition of recording infrastructure assets placed in service between 1980 and 2002 as required under GASB Statement No. 34. At December 31, 2005, the county had recorded roads, sewer, airport runways and landfill cells at historical cost and recorded the related accumulated depreciation. The recording of bridges for 1980-2002 was completed as of December 31, 2006.

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

**COUNTY OF CHEMUNG- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

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.

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, 1980 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 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.

PROPERTY TAXES

**COUNTY OF CHEMUNG- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

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.

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.

**COUNTY OF CHEMUNG- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

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 \$11,588,946. Of the bank balance, the following were the bank balances according to risk categories:

	TOTAL	CATEGORY 1	CATEGORY 2	CATEGORY 3
Cash deposits	\$ 11,588,946	\$ 500,000	\$ 11,088,946	\$ -

NOTE 4 RECEIVABLES

Real property taxes receivable at December 31, 2006 were \$7,255,365. Included in the real property taxes receivable are returned city, village, and school taxes of \$2,164,186 which are offset by liabilities to the cities, villages, and school districts. The remaining amount of tax receivables are offset by deferred tax revenue of \$3,668,200 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.

NOTE 4 RECEIVABLES (continued)

Other government-type activity receivables consist of funds claimed but not received from various state and federal sources of \$12,736,560 at December 31, 2006, as well as funds receivable for services rendered by departments such as the Airport, Solid Waste and the Sewer Districts of \$7,603,820 at December 31, 2006.

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.

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:

2007	\$ 1,000,000
2008	1,000,000
2009	1,000,000
2010	1,000,000
2011	1,000,000
Thereafter	18,000,000
	\$ 23,000,000

NOTE 6 CAPITAL ASSETS

**COUNTY OF CHEMUNG- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Capital asset activity for the year ended December 31, 2006 was as follows:

GOVERNMENTAL-TYPE ACTIVITIES

	BALANCE 1/1/2006	ADDITIONS TRANSFERS IN	DISPOSALS TRANSFERS OUT	BALANCE 12/31/2006
<u>Non-depreciable Capital Assets:</u>				
Construction in Progress	\$ 757,457	\$ 3,665,635	\$ (376,102)	\$ 4,046,990
Land	15,710,890	-	-	15,710,890
TOTAL NON-DEPRECIABLE CAPITAL ASSETS	16,468,347	3,665,635	(376,102)	19,757,880
<u>Depreciable Capital Assets:</u>				
Land Improvements	1,030,722	-	-	1,030,722
Buildings and building improvements	54,641,853	1,800,345	-	56,442,198
Infrastructure	74,442,145	7,198,480	-	81,640,625
Furniture, Equipment and Vehicles	22,030,196	2,142,663	(434,203)	23,738,656
TOTAL DEPRECIABLE CAPITAL ASSETS	152,144,916	11,141,488	(434,203)	162,852,201
<u>Less Accumulated Depreciation For:</u>				
Land Improvements	(296,594)	(49,921)	-	(346,515)
Buildings and building improvements	(15,627,933)	(861,211)	-	(16,489,144)
Infrastructure	(25,558,257)	(3,940,637)	-	(29,498,894)
Furniture, Equipment and Vehicles	(11,477,459)	(2,002,949)	410,208	(13,070,200)
TOTAL ACCUMULATED DEPRECIATION	(52,960,243)	(6,854,718)	410,208	(59,404,753)
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	\$ 115,653,020	\$ 7,952,405	\$ (400,097)	\$ 123,205,328

NOTE 6 CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

General government	\$ 302,099
Public safety	673,054
Health	34,181
Transportation	5,068,451
Economic assistance and opportunity	57,489
Culture and recreation	109,740
Home and community services	609,704
TOTAL DEPRECIATION EXPENSE FOR GOVERNMENTAL ACTIVITIES	\$ 6,854,718

BUSINESS-TYPE ACTIVITIES

	BALANCE 1/1/2006	ADDITIONS	DISPOSALS	BALANCE 12/31/2006
<u>Non-depreciable Capital Assets:</u>				
Land	\$ 48,287	\$ -	\$ -	\$ 48,287
TOTAL NON-DEPRECIABLE CAPITAL ASSETS	48,287	-	-	48,287
<u>Depreciable Capital Assets:</u>				
Land Improvements	306,998	-	-	306,998
Buildings and fixed equipment	7,693,116	182,169	-	7,875,285
Movable equipment	1,501,816	66,964	(19,548)	1,549,232
TOTAL DEPRECIABLE CAPITAL ASSETS	9,501,930	249,133	(19,548)	9,731,515
<u>Less Accumulated Depreciation For:</u>				
Land Improvements	(281,637)	(4,947)	-	(286,584)
Buildings and fixed equipment	(5,217,828)	(154,464)	-	(5,372,292)
Movable equipment	(1,197,560)	(73,841)	19,548	(1,251,853)
TOTAL ACCUMULATED DEPRECIATION	(6,697,025)	(233,252)	19,548	(6,910,729)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	\$ 2,853,192	\$ 15,881	\$ -	\$ 2,869,073

**COUNTY OF CHEMUNG- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

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 2006 and the three preceding years was as follows:

	2006	2005	2004	2003
General pension contribution	\$ 3,815,090	\$ 4,105,481	\$ 4,367,767	\$ 1,772,278
Contribution for early retirement incentive	175,201	466,915	421,709	507,299
Group-term life insurance contribution	-	-	-	407
Total Pension Contribution	<u>\$ 3,990,291</u>	<u>\$ 4,572,396</u>	<u>\$ 4,789,476</u>	<u>\$ 2,279,984</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 System, Governor Alfred E. Smith State Office Building, Albany, NY 12244.

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.

NOTE 7 PENSION PLAN (continued)

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	2006 PAYMENT	APPLICABLE INTEREST RATE
2002	\$ 748,256	\$ 175,201	8.00%

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

**COUNTY OF CHEMUNG- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

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.

As of December 31, 2006, employee contributions to the plan totaled \$13,510,873, 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
2005	\$ 1,729,577	\$ 1,038,374	\$ (1,081,858)	\$ 1,686,093
2006	\$ 1,686,093	\$ 243,227	\$ (210,500)	\$ 1,718,820

NOTE 11 COMMITMENTS AND CONTINGENCIES

**COUNTY OF CHEMUNG- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

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, 2006 the outstanding balance on this liability was \$275,000. The final payment was made in January of 2007.

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, 2006 is as follows:

	Balance 12/31/2005	Additions	Reductions	Balance 12/31/2006
Governmental-Type Activities:				
Bond Anticipation Notes	\$ 164,622	\$ 1,253,673	\$ (164,623)	\$ 1,253,672
TOTAL	<u>164,622</u>	<u>1,253,673</u>	<u>(164,623)</u>	<u>1,253,672</u>

Short-term debt at December 31, 2006 consists of BANS of \$800,673 for improvements to the Transit building, \$258,000 to resurface the Airport maintenance parking lot and \$195,000 to purchase a building for the Public Defenders office. There was no short-term borrowing for business-type activities during 2006.

NOTE 13 LONG-TERM DEBT

Chemung County finances capital projects under New York State Local Finance Law. The law stipulates borrowing parameters and limitations. Titles 8, 9 and 10 establish the County's borrowing limitation. Under these guidelines certain debt, such as debt that may be added to a separate ad valorem tax, is excluded in the computation of the County's debt limit.

Chemung County's constitutional debt limit for 2006, as defined by New York State Local Finance Law is \$198,868,912 The County's qualified debt for that period is \$40,593,957 or 18.03% of the constitutional debt limit.

A summary of government-wide long-term debt is detailed in the following schedule:

	Balance 12/31/2005	Additions	Reductions	Balance 12/31/06	Amounts Due Within One Year
Governmental-Type Activities:					
General obligation bonds payable	\$ 38,822,852	\$ 4,043,724	\$ (4,457,222)	\$ 38,409,354	\$ 4,715,703
Compensated absences	2,498,078	3,875,897	(3,704,319)	2,669,656	753,644
Health ins. settlement liability	275,000	-	-	275,000	275,000
	<u>\$ 41,595,930</u>	<u>\$ 7,919,621</u>	<u>\$ (8,161,541)</u>	<u>\$ 41,354,010</u>	<u>\$ 5,744,347</u>

Business-Type Activities

**COUNTY OF CHEMUNG- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

General obligation bonds payable	\$ 2,085,465	\$ 234,896	\$ (135,758)	\$ 2,184,603	\$ 151,490
Tobacco settlement bonds	7,181,633		(159,106)	7,022,527	-
Workers' compensation	1,000,653	396,227	-	1,396,880	-
	<u>\$ 10,267,751</u>	<u>\$ 631,123</u>	<u>\$ (294,864)</u>	<u>\$ 10,604,010</u>	<u>\$ 151,490</u>

Current year debt service payments and balances at December 31, 2006 are as follows:

BOND	2006		BALANCE AT DECEMBER 31, 2006		
	INTEREST PAYMENTS	PRINCIPAL PAYMENTS	TOTAL	GOVERNMENTAL TYPE ACTIVITIES	BUSINESS TYPE ACTIVITIES
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.	\$ 54,375	\$ 300,000	\$ 600,000	\$ 600,000	\$ -
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.	15,406	65,000	180,000	180,000	-

NOTE 13 LONG-TERM DEBT (continued)

BOND	2006		BALANCE AT DECEMBER 31, 2006		
	INTEREST PAYMENTS	PRINCIPAL PAYMENTS	TOTAL	GOVERNMENTAL TYPE ACTIVITIES	BUSINESS TYPE ACTIVITIES
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.	153,000	600,000	1,650,000	1,650,000	-

**COUNTY OF CHEMUNG- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

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.	39,187	325,000	550,000	550,000	-
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.	141,625	325,000	2,250,000	2,250,000	-
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.	19,175	155,000	300,000	300,000	-
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.	46,950	200,000	475,000	475,000	-
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.	246,918	711,269	4,135,338	3,924,009	211,329

NOTE 13 LONG-TERM DEBT (continued)

BOND	2006		BALANCE AT DECEMBER 31, 2006		
	INTEREST PAYMENTS	PRINCIPAL PAYMENTS	TOTAL	GOVERNMENTAL TYPE ACTIVITIES	BUSINESS TYPE ACTIVITIES
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.	105,670	400,000	2,140,000	2,140,000	-

**COUNTY OF CHEMUNG- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

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.

228,565 354,999 4,189,998 4,091,729 98,269

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.

140,700 135,000 2,925,000 2,825,765 99,235

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.

158,725 255,000 3,270,000 3,270,000 -

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.

195,400 205,000 4,275,000 4,225,833 49,167

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.

136,564 225,000 3,125,001 2,916,175 208,826

NOTE 13 LONG-TERM DEBT (continued)

BOND	2006		BALANCE AT DECEMBER 31, 2006		
	INTEREST PAYMENTS	PRINCIPAL PAYMENTS	TOTAL	GOVERNMENTAL TYPE ACTIVITIES	BUSINESS TYPE ACTIVITIES

**COUNTY OF CHEMUNG- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

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.

	233,899	336,712	6,250,000	4,967,119	1,282,881
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Public Improvement Bond, 11/01/06-This bond has staggered maturities from 2007-2021. It carries an interest rate that starts at 3.75% 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.

	<u>-</u>	<u>-</u>	<u>4,278,620</u>	<u>4,043,724</u>	<u>234,896</u>
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Total General Obligation Bonds	1,916,159	4,592,980	40,593,957	38,409,354	2,184,603
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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, 2006 the face value of the bond was \$7,110,000 and the remaining discount was \$87,473.

	<u>467,783</u>	<u>159,106</u>	<u>7,022,527</u>	<u>-</u>	<u>7,022,527</u>
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Total Principal and Interest	\$ 2,383,942	\$ 4,752,086			
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Total Bonds Payable			47,616,484	38,409,354	9,207,130
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Less: Current Portion General Obligation Bonds			4,867,193	4,715,703	151,490
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			<u>\$ 42,749,291</u>	<u>\$ 33,693,651</u>	<u>\$ 9,055,640</u>
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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
2007	4,867,193	1,863,084	4,715,703	1,773,251	151,490	89,833
2008	4,976,489	1,593,735	4,818,599	1,510,445	157,890	83,290
2009	3,719,781	1,368,643	3,554,886	1,292,013	164,895	76,630
2010	3,715,916	1,193,602	3,543,698	1,123,988	172,218	69,614
2011	3,594,619	1,016,194	3,415,002	953,937	179,617	62,257
Thereafter	19,719,959	3,961,134	18,361,466	3,681,098	1,358,493	280,036
	<u>\$ 40,593,957</u>	<u>\$ 10,996,392</u>	<u>\$ 38,409,354</u>	<u>\$ 10,334,732</u>	<u>\$ 2,184,603</u>	<u>\$ 661,660</u>

NOTE 13 LONG-TERM DEBT (continued)

**COUNTY OF CHEMUNG- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

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

	FIXED AMORTIZATION	FLEXIBLE AMORTIZATION	TOTAL AMORTIZATION
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
2011	45,000	225,000	270,000
Thereafter	785,000	5,150,000	5,935,000
	<u>\$ 950,000</u>	<u>\$ 6,160,000</u>	<u>\$ 7,110,000</u>

NOTE 14 RESERVES

The County has the following reserve funds for the following purposes at December 31, 2006:

Governmental-Type Activities

General Fund

Reserve for tax stabilization	\$ 225,258
Employee benefits	965,395
Retirement benefits	1,224,468
Reserve for FAA projects	1,038,245
Other reserves	171,272
TOTAL	<u>3,624,638</u>

Capital Project Fund

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

TOTAL GOVERNMENTAL-TYPE ACTIVITIES RESERVED FUND BALANCE	<u>\$ 4,132,641</u>
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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 2006 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.

**COUNTY OF CHEMUNG- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

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

Charges for services and accounts receivable - Charges for services represent the estimated net realizable amounts from patients, third-party payers, 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 payer agreements is subject to audit and retroactive adjustments. Provisions for third-party payer 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, 2006 was \$150,000.

Revenue from Medicaid and Medicare accounted for approximately 63% of the Facility's total revenue for the year ended December 31, 2006. 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.

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 netted to \$22,987 and covered the period January 2002 to September 2006, were recorded as an increase in operating revenue for the year ended December 31, 2006.

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.

**COUNTY OF CHEMUNG- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Due to third party payers, as reflected in the accompanying balance sheet, are payable as a 10% maximum withholding from current Medicaid remittances. There are no such amounts due at December 31, 2006.

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

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. The anticipated 2006 funding of \$394,394 has been recorded as revenue and a receivable in the accompanying 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, 2006 amounted to \$719,362.

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.

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, 2006 twenty-three 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, 2006, using the present value method, the Facility has recorded an estimated liability of \$1,438,224 for these lifetime benefits, assuming all claimants are paid to age 72. 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 (\$41,344) included under current liabilities in the accompanying balance sheet.

**COUNTY OF CHEMUNG- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

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, 2006 consisted of the following:

DUE TO:	DUE FROM:					TOTAL
	General Fund	Capital Projects Fund	Non-Major Funds	Internal Service Funds	Nursing Facility	
General Fund	\$ -	\$ 1,349,808	\$ 9,252,818	\$ 7,781,505	\$ 2,382,302	\$ 20,766,433
Capital Projects Fund	1,367,344	-	1,095,763	-	153,686	2,616,793
Non-Major						
Governmental Funds	6,712,608	-	300,412	900,956	-	7,913,976
Internal Service	9,645,029	-	5,329	-	-	9,650,358
Nursing Facility	1,321,110	27,512	-	3,419,626	-	4,768,248
	<u>\$ 19,046,091</u>	<u>\$ 1,377,320</u>	<u>\$ 10,654,322</u>	<u>\$ 12,102,087</u>	<u>\$ 2,535,988</u>	<u>\$ 45,715,808</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

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 OUT:			
General	Capital Projects	Non-Major	Health Care

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TRANSFER IN:	Fund	Fund	Funds	Facility	Total
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Projects Fund	-	-	-	-	-
Non-Major Funds	3,725,606	-	-	-	3,725,606
Health Care Facility	304,000	-	-	-	304,000
	<u>\$ 4,029,606</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,029,606</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 2006, the County of Chemung contributed \$75,836. As of December 31, 2006, 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 4-8 Denison Parkway, Corning, New York 14830.

Community College Region - The Corning Community College is operated jointly by the Counties of Chemung, Steuben and Schuyler. The County of Chemung included approximately \$3.8 million in its 2006 real property tax levy to help finance the College's expenditures. In 2006, the County expended \$3,790,932 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, 2006:

	<u>All Funds</u>
Total Assets	\$ 41,422,956
Total Liabilities	\$ 23,127,587
Net Assets	\$ 18,295,369
Total Revenues	\$ 39,419,185
Total Expenses	\$ 35,999,962

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, 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.

**COUNTY OF CHEMUNG- STATE OF NEW YORK
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The Corporation is dependent on future proceeds from the settlement agreement. Proceeds received in excess of the Corporation'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 Corporation adopted its first amendment to the indenture, dated as of December 1, 2000, between the Corporation 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 Corporation 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.

NOTE 19 CHEMUNG TOBACCO ASSET SECURITIZATION CORPORATION (continued)

RESTRICTED CASH – TRAPPING RESERVE

The Corporation 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, 2006, 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.

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 Corporation.

RESIDUAL RECEIVABLE / PAYABLE TO CHEMUNG COUNTY

The Corporation receives 100% of Chemung County's tobacco settlement proceeds, although only 40% are applicable to the Corporation. The residual 60% is refundable to Chemung County. As of December 31, 2006 no residual assets due Chemung County were held by the Corporation.

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 Corporation'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 CHEMUNG COUNTY LIBRARY DISTRICT

**COUNTY OF CHEMUNG- STATE OF NEW YORK
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In November of 2005 the voters of Chemung County approved a ballot initiative creating a county-wide Library District. The District, as established, has fifteen board members elected to three year terms. The initial board was appointed by the County Legislature. The Library District Board of Directors has the authority to levy property taxes to support the district operations.

With the creation of the Library District, the Library Fund and the Steele Memorial Library component unit ceased to exist. Because the Library District levies its own taxes and the board of directors are independently elected it is not considered a component unit of the county.

NOTE 21 PRIOR PERIOD ADJUSTMENTS

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

<u>Government-Wide Financial Statements</u>	<u>Governmental Activities</u>
Net assets at December 31, 2005 as previously reported	\$ 82,254,349
To adjust capital assets to record bridges infrastructure for the period 1980-2001	7,617,596
To remove mental health receivable	<u>(454,092)</u>
Net assets at December 31, 2005 as restated	<u>\$ 89,417,853</u>
<u>General Fund</u>	
Fund Balance at December 31, 2005	\$ 6,800,349
To adjust mental health receivables for amount recorded directly to revenue in prior year rather than against the receivable.	(454,092)
	<u>\$ 6,346,257</u>

NOTE 22 RESTRICTED NET ASSETS

Chemung County with the approval of the Federal Aviation Administration (FAA) began collecting passenger facility fees (PFCs) from all passengers departing from the Chemung County Regional Airport. These fees may only be used to fund projects approved by the FAA. In addition, any funds derived from the sales of minerals or mineral rights on airport land can only be used for airport purposes in accordance with FAA regulations. Accordingly, funds received from PFC collections and from the sale of gravel and natural gas rights have been recorded as restricted in these financial statements.

NOTE 23 FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS

The GASB has issued the following statements:

**COUNTY OF CHEMUNG- STATE OF NEW YORK
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- 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. 48 Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues. Effective for the period beginning January 1, 2007.
- Statement No. 49 Accounting and Financial Reporting for Pollution Remediation Obligations. Effective for the period beginning January 1, 2007.
- Statement No. 50 Pension Disclosures, an amendment of GASB Statements 25 and 27. Effective for the period beginning January 1, 2008.
- Statement No. 51 Accounting and Financial Reporting for Intangible Assets. Effective for the period beginning January 1, 2010.

These pronouncements will be implemented in the year required by each pronouncement. The effects of implementation are not known at this time.

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, 2006

	ORIGINAL ADOPTED BUDGET	FINAL AMENDED BUDGET	ACTUAL RESULTS	VARIANCE
REVENUES				
Real property taxes	\$ 22,399,418	\$ 22,399,418	\$ 22,901,827	\$ 502,409
Real property tax Items	1,477,872	1,495,872	1,337,505	(158,367)
Non-property taxes	30,487,054	30,587,054	31,622,482	1,035,428
Departmental income	13,176,345	13,326,907	13,379,855	52,948
Federal aid	21,892,164	22,406,587	20,911,709	(1,494,878)
State aid	25,047,812	26,723,530	26,981,194	257,664
Intergovernmental revenue	4,464,827	4,564,077	4,459,105	(104,972)
Use of money and property	470,679	470,679	791,298	320,619
Sale of property and compensation for loss	1,024,648	1,094,020	1,142,177	48,157
Licenses and permits	5,000	5,000	5,684	684
Fines and forfeitures	288,777	288,777	333,651	44,874
Miscellaneous revenue	2,330,785	4,119,377	3,266,938	(852,439)
TOTAL REVENUE AND OTHER SOURCES	<u>123,065,381</u>	<u>127,481,298</u>	<u>127,133,425</u>	<u>(347,873)</u>
EXPENDITURES				
General government	10,978,758	11,621,692	11,306,700	314,992
Public safety	15,454,013	16,624,313	16,100,045	524,268
Transportation	4,897,741	4,898,104	4,790,621	107,483
Health	11,249,719	11,804,748	11,173,936	630,812
Economic assistance and opportunity	65,134,875	66,237,571	66,192,646	44,925
Culture and recreation	2,307,469	2,322,297	2,047,105	275,192
Education	3,856,445	3,856,445	3,790,932	65,513
Home and community services	815,630	1,815,235	1,723,935	91,300
Debt service	4,484,186	4,484,186	4,608,567	(124,381)
TOTAL EXPENDITURES AND OTHER USES	<u>119,178,836</u>	<u>123,664,591</u>	<u>121,734,487</u>	<u>1,930,104</u>
Excess (Deficiency) of Revenues Over Expenditures	3,886,545	3,816,707	5,398,938	1,582,231
OTHER FINANCING SOURCES (USES)				
Operating transfers in	505,816	505,816	-	(505,816)
Operating transfers out	(4,376,361)	(4,306,523)	(4,029,606)	276,917
TOTAL OTHER FINANCING USES	<u>(3,870,545)</u>	<u>(3,800,707)</u>	<u>(4,029,606)</u>	<u>(228,899)</u>
Excess (Deficiency) of Revenues & Other Sources Over Expenditures and Other Uses	<u>\$ 16,000</u>	<u>\$ 16,000</u>	1,369,332	<u>\$ 1,353,332</u>
 			6,346,257	
FUND EQUITY - BEGINNING OF YEAR, RESTATED			<u>4,613</u>	
Residual equity transfer				
FUND EQUITY - END OF YEAR			<u>\$ 7,720,202</u>	

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