

COUNTY OF CHEMUNG - STATE OF NEW YORK

FINANCIAL STATEMENTS

DECEMBER 31, 2009

COUNTY OF CHEMUNG - STATE OF NEW YORK
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INDEPENDENT AUDITORS' REPORT

To the County Legislature
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, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Chemung - State of New York's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Chemung County Nursing Facility, an enterprise fund of the County, which represent 3.21%, 0.00% and 8.77%, respectively, of the assets, net assets and operating revenues of the government-wide totals. We did not audit the financial statements of the Chemung County Soil and Water Conservation District, a discretely presented component unit. These financial statements were audited by other auditors whose reports thereon have been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Chemung County Nursing Facility and the Chemung County Soil and Water Conservation District, is based 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 and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, 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, 2009, 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 September 14, 2010, on our consideration of the County of Chemung - State of New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Chemung - State of New York's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the County of Chemung - State of New York. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

EFP Rotenberg, LLP

EFP Rotenberg, LLP
Rochester, New York
September 14, 2010

COUNTY OF CHEMUNG - STATE OF NEW YORK
Management's Discussion and Analysis
For the Year Ended December 31, 2009

Introduction

Our discussion and analysis of the County of Chemung's (the "County") financial performance provides an overview of the County's financial activities for the fiscal year ended December 31, 2009. It also provides a description and understanding of the various financial statements and other financial and statistical information contained herein. This section is only an introduction and should be read in conjunction with the County's financial statements, which immediately follow this section.

Financial Highlights

- The County's net assets on the government-wide statements total \$108,130,778. The unrestricted net assets were \$7,977,305, the invested in capital assets, net of related debt, was \$97,732,091 and \$2,421,382 was restricted as of December 31, 2009.
- The governmental "current ratio", which is an indicator of liquidity, is 1.71 and 1.70 as of December 31, 2009 and 2008, respectively.
- Governmental activities increased the County's net assets by \$1,531,145 or 1.44% in 2009 compared with an increase of \$2,579,620 or 2.48% in 2008.
- Operating grants and aid were 28.38% and 27.53% of the total governmental revenue in 2009 and 2008, respectively.
- Business-type net assets decreased \$1,699,766 or 29.59% in 2009 as compared with an increase of \$936,180 or 14.01% in 2008.

Components of the Annual Report

This annual report consists of three parts: *management's discussion and analysis* (this section), *the basic financial statements* and *required supplementary information*. The statement of net assets and the statement of activities on pages 12 and 13 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 on pages 14 and 16 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.

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

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

Fund Financial Statements

The fund financial statements provide more detailed information about the County's most significant 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.

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.

The 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.

The 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 the 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 balance. This crosswalk is intended to assist the reader in understanding the transition between the long-term and current views presented by the different formats.

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Management's Discussion and Analysis
For the Year Ended December 31, 2009

Some of the major differences illustrated in the reconciliation are:

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

Notes to 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.

Condensed Statement of Net Assets
December 31, 2009 and 2008

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>2009</u>	<u>2008</u>	<u>Change</u>	<u>2009</u>	<u>2008</u>	<u>Change</u>
Assets						
Current and other assets	\$ 42,598,089	\$ 36,581,163	\$ 6,016,926	\$ 4,792,154	\$ 4,974,763	\$ (182,609)
Capital assets - net	<u>135,928,470</u>	<u>136,139,152</u>	<u>(210,682)</u>	<u>3,144,365</u>	<u>3,473,233</u>	<u>(328,868)</u>
Total assets	<u>\$ 178,526,559</u>	<u>\$172,720,315</u>	<u>\$ 5,806,244</u>	<u>\$ 7,936,519</u>	<u>\$ 8,447,996</u>	<u>\$ (511,477)</u>
Liabilities						
Current liabilities	\$ 24,941,371	\$ 21,508,908	\$ 3,432,463	\$ 2,173,503	\$ 1,909,086	\$ 264,417
Long-term liabilities	<u>45,454,410</u>	<u>44,611,774</u>	<u>842,636</u>	<u>13,206,755</u>	<u>12,282,883</u>	<u>923,872</u>
Total liabilities	<u>70,395,781</u>	<u>66,120,682</u>	<u>4,275,099</u>	<u>15,380,258</u>	<u>14,191,969</u>	<u>1,188,289</u>
Net Assets						
Investments in capital assets - net of debt	97,732,091	97,448,021	284,070	944,353	561,272	383,081
Restricted	2,421,382	2,168,908	252,474	-	-	-
Unrestricted	<u>7,977,305</u>	<u>6,982,704</u>	<u>994,601</u>	<u>(8,388,092)</u>	<u>(6,305,245)</u>	<u>(2,082,847)</u>
Total net assets	<u>108,130,778</u>	<u>106,599,633</u>	<u>1,531,145</u>	<u>(7,443,739)</u>	<u>(5,743,973)</u>	<u>(1,699,766)</u>
Total Liabilities and Net Assets	<u>\$ 178,526,559</u>	<u>\$172,720,315</u>	<u>\$ 5,806,244</u>	<u>\$ 7,936,519</u>	<u>\$ 8,447,996</u>	<u>\$ (511,477)</u>

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.

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Management's Discussion and Analysis
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Changes in Net Assets
For the Years Ended December 31, 2009 and 2008

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>2009</u>	<u>2008</u>	<u>Change</u>	<u>2009</u>	<u>2008</u>	<u>Change</u>
Revenues						
Program Revenues:						
Charges for services	\$ 28,985,602	\$ 29,264,737	\$ (279,135)	\$ 15,962,025	\$ 15,908,775	\$ 53,250
Operating grants and contributions	48,176,257	48,348,335	(172,078)	-	-	-
Capital grants and contributions	5,602,748	5,176,543	426,205	-	-	-
General Revenues:						
Property taxes	26,822,806	25,932,409	890,397	-	-	-
Other taxes	53,932,354	56,999,685	(3,067,331)	-	-	-
Other revenue	<u>6,211,162</u>	<u>9,893,809</u>	<u>(3,682,647)</u>	<u>1,033,659</u>	<u>4,639,203</u>	<u>(3,605,544)</u>
Total revenues	<u>169,730,929</u>	<u>175,615,518</u>	<u>(5,884,589)</u>	<u>16,995,684</u>	<u>20,547,978</u>	<u>(3,552,294)</u>
Program Expenses						
General government support	34,128,058	34,749,527	(621,469)	473,096	481,142	(8,046)
Education	4,412,651	4,026,737	385,914	-	-	-
Public safety	18,170,354	17,555,289	615,065	-	-	-
Health	13,193,916	13,149,190	44,726	-	-	-
Transportation	16,983,056	16,962,496	20,560	-	-	-
Economic assistance	67,957,398	73,535,551	(5,578,153)	-	-	-
Culture and recreation	2,992,074	3,372,341	(380,267)	-	-	-
Home and community services	8,712,217	8,081,366	630,851	-	-	-
Debt interest	1,650,060	1,603,401	46,659	-	-	-
Nursing facility	-	-	-	<u>18,222,354</u>	<u>19,130,656</u>	<u>(908,302)</u>
Total expenses	<u>168,199,784</u>	<u>173,035,898</u>	<u>(4,836,114)</u>	<u>18,695,450</u>	<u>19,611,798</u>	<u>(916,348)</u>
Change in Net Assets	<u>1,531,145</u>	<u>2,579,620</u>	<u>(1,048,475)</u>	<u>(1,699,766)</u>	<u>936,180</u>	<u>(2,635,946)</u>
Net Assets - Beginning	<u>106,599,633</u>	<u>104,020,013</u>	<u>2,579,620</u>	<u>(5,743,973)</u>	<u>(6,680,153)</u>	<u>936,180</u>
Net Assets - Ending	<u>\$108,130,778</u>	<u>\$106,599,633</u>	<u>\$ 1,531,145</u>	<u>\$ (7,443,739)</u>	<u>\$ (5,743,973)</u>	<u>\$ (1,699,766)</u>

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

- The increase in property tax revenue from 2008 to 2009 was due to the collections of more delinquent taxes in 2009. This collection of delinquent taxes resulted in a write-down of the reserve for uncollectable taxes and an increase in the property tax revenue.
- The decrease in other taxes from 2008 to 2009 is due entirely to a reduction in sales tax collections. This reduction is attributable to the downturn in the economy.
- The reduction in other revenue is due to the elimination of state funding for certain preventive services. The funding was eliminated in the fourth quarter of 2008 and therefore no funding was received in 2009.

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Factors Affecting Overall Financial Position

Governmental Activities - During 2009, governmental activities resulted in an overall increase of net assets of \$1,531,145 which represents a 1.44% increase from 2008. The County receives revenues from varying sources. Major funding sources and their relationship to total revenue for the following year are as follows:

<u>Funding Source</u>	<u>2009 Percentage of Total Revenue</u>	<u>2008 Percentage of Total Revenue</u>	<u>Increase (Decrease)</u>
State and Federal Aid	31.68 %	30.48 %	1.20 %
Property tax and related items	15.80 %	14.77 %	1.03 %
Non property tax items	31.78 %	32.46 %	(0.68)%
Departmental income	17.08 %	16.66 %	0.42 %
Other	<u>3.66 %</u>	<u>5.63 %</u>	<u>(1.97)%</u>
Total	<u>100.00 %</u>	<u>100.00 %</u>	<u>- %</u>

Overall public assistance expenditures were as follows:

<u>Program</u>	<u>2009</u>	<u>2008</u>	<u>Difference</u>	<u>Percentage Change</u>
Temporary Assistance	\$ 4,287,502	\$ 3,804,444	\$ 483,058	12.70 %
Safety Net	\$ 2,919,153	\$ 3,098,546	\$ (179,393)	(5.79)%
Medicaid	\$ 17,193,317	\$ 21,898,957	\$ (4,705,640)	(21.49)%
Children Services	\$ 14,881,071	\$ 16,597,744	\$ (1,716,673)	(10.34)%

Business-type Activities - During 2009 the Chemung County Nursing Facility (the "Facility") had an overall decrease in net assets of \$1,975,021 which represents a 192% decrease. The Facility receives 94% of its revenue from patient services, which were down \$15,082 from 2008.

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, 2009 the Nursing Facility had a net fund deficit of \$3,004,740.

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, 2009 was \$98,676,444. This represents an increase of \$667,151 from 2008. The investment in capital assets includes land, land improvements, buildings, building improvements, furniture, equipment, vehicles, construction in progress, infrastructure and accumulated depreciation. Infrastructure includes highways, bridges, airport runways and sewers. These financial statements include all infrastructure constructed from 1980-2009 in accordance with GASB 34. Major capital additions included significant highway and road work as well as equipment purchases.

Long-Term Debt - The County had total general obligation bonds payable of \$38,196,379 as of December 31, 2009. The total bonds payable was decreased by \$494,752 from the balance of \$38,691,131 as of December 31, 2008. The County borrowed \$3,442,849 in 2009 for various capital projects.

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Economic Outlook and Future Benefits

- Chemung County has fared better than most upstate communities throughout the current economic recession. Our unemployment rate, which stood at 8.9 percent at December 31, 2009 is only slightly higher than the statewide average of 8.4 percent, and less than the national unemployment, which is currently 9.6 percent. Further, corporate expansion plans bode well for 2010.
- Sikorsky Aircraft, which makes Blackhawk Helicopters and unmanned drones for their international customers continues to increase its presence at the Elmira Corning Regional Airport. They are currently employing over 1,250 full-time individuals and in early 2010 signed new contracts with Brazil, Saudi Arabia, Singapore, Bahrain and Turkey to build Blackhawk Helicopters. The Chemung County facility is being re-named the Sikorsky International Military Completions Center of Excellence. With this new title will come another major investment by Sikorsky Aircraft which calls for an increase in production of Blackhawk Helicopters and increased future employment. This investment includes another new facility for the manufacturing of these products.
- The 751,000 square foot, \$96 million CVS Caremark Distribution Center is nearly complete. This facility will service hundreds of CVS drugstores throughout the northeast with an emphasis being placed on the greater New York City area. When this facility opens in late 2010, 600 new jobs will be created in our region. CVS is the largest pharmaceutical chain in the USA.
- The DeMet's Candy Company began production in their new facility located at the County's Corporate Park in Big Flats, New York in the Spring of 2009. They have hired over 250 full-time employees and more jobs are planned in the near future. They have recently signed a contract with the entire Wal-Mart chain for the distribution of their candy products. This will eventually lead to an additional 100,000 square foot facility being constructed in our area.
- Chemung County continues to see significant investment and employment growth as a result of the natural gas exploration industry in our region. The natural gas rich Marcellus Shale, which has over 500 trillion cubic feet of natural gas, has the potential to significantly reshape the economy of southern New York and all of Pennsylvania. Numerous gas exploration companies and their support services have started relocating in Chemung County because of our proximity to the natural gas. Also of great importance to the gas industry is our Airport, our access to Interstate 86, and rail service.
- Most recently, Schlumberger Technology Inc., a Fortune 200 company, began constructing a new 400,000 square foot facility at a cost of \$56 million in our County. When completed, this natural gas support facility will employ over 400 individuals at an average annual salary of \$60,000 per year. There have also been over 500 additional jobs in the natural gas industry that have made their home in Chemung County. They include:
 - McTunkin Red Man
 - New Park
 - Gas Field Specialist
 - Kayden Industries
 - Superior Well Services
 - BJ Services Company
 - Keane Frac
 - McKees Rocks Industrial Enterprises
 - Anschutz Gas Exploration
 - Atlantic Testing Laboratories
 - Chesapeake Energy Corporation
 - Mobley Special Projects LLC
- Synthes, a world leader in orthopedic implant devices, initially employed 150 individuals. They have experienced continued growth in their business over the last several years and now employ over 400 people. They are projecting that this increase in employment will continue and they will be adding an additional 30 individuals on an annual basis.

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- CAF, USA, a rail car manufacturer located in Chemung County was awarded a \$298.1 million contract to build 130 new single level rail cars in early 2010. This is the first step in Amtrak's comprehensive fleet renewal program. This contract will result in 575 new jobs being created in the CAF, USA facility. Amtrak has multi-year strategic plan to replace its entire fleet of rail cars over the next 30 years. Though there is no guarantee the CAF, USA facility will be the recipient of any of this work the potential for long-term employment opportunity is significant. CAF is also starting to gear up for its Houston rail car project which will result in 150 new employees.
- Elmira College has recently completed construction of a state-of-the-art \$40 million dormitory which will house 150 students. This new structure was necessitated by the continued expansion of enrollment at Elmira College.
- A new \$7.9 million Hampton Inn has opened adjacent to the Hilton Garden Inn in the western part of our County. Two new hotels are being planned due to the demands being placed on the hotel industry by the natural gas and tourism industry. This expansion in the number of rooms available are expected to have a positive impact on rooms tax collections which are used to promote tourism in Chemung County.
- The world class Samuel Clemens Performing Arts Center located in the heart of our community has recently completed a \$19 million renovation. The theatre which has been restored to its original early 1900s décor boasts one of the largest entertainment stages in the northeast. The theatre specializes in bringing many Broadway plays to our area and with the new expansion, any Broadway performance no matter how big the set, can be performed at this facility.
- Chemung County is the retail center of 5-counties in New York State and the northern tier of Pennsylvania. We are fortunate to have over 3 million square feet of retail space in our mall and four plaza complexes. Numerous new stores and restaurants have opened in the last 18 months. This retail complex has been the mainstay of our sales tax collections. This is significant because over 35 percent of all sales tax generated in our County comes from shoppers who reside outside our borders.

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Management's Discussion and Analysis
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General Fund Budget Modifications

Budgeted appropriations were increased by \$3,926,484 from the original adopted budget. The budgetary changes are summarized as follows:

	<u>Original</u>	<u>Modified</u>	<u>Change</u>
General government support	\$ 30,808,534	\$ 33,212,157	\$ 2,403,623
Education	4,000,000	4,000,000	-
Public safety	12,905,933	13,596,044	690,111
Health	11,530,985	11,427,830	(103,155)
Transportation	4,235,291	4,387,291	152,000
Economic assistance	65,875,090	66,020,721	145,631
Culture and recreation	3,021,669	2,596,655	(425,014)
Home and community services	1,298,721	2,187,180	888,459
Employee benefits	10,932,359	11,107,188	174,829
Debt services	<u>4,666,778</u>	<u>4,666,778</u>	<u>-</u>
	<u>\$149,275,360</u>	<u>\$153,201,844</u>	<u>\$ 3,926,484</u>

- The increase in the general government support budget is due to a \$2,800,000 increases in the contingency budget. These funds were budgeted in contingency so they would not be available to use by the affected departments. The changes that resulted in the contingency budget increases are primarily for additional funding for Medicaid and other social service programs.
- The increase in the public safety budget is due in part to an increase in the Emergency Management contract and equipment budgets of \$530,000 to account for the awarding of grants for such purposes. In addition an increase of \$117,000 in the Sheriff's budget for computer software license fees was required for new software purchased by that department.
- The increase in the transportation budget resulted from an increase in the snow removal and utilities line items at the airport.
- The reduction in the culture and recreation budget resulted from the curtailment of the preventive services funding provided by New York State. When much of the funding was eliminated the programs were cancelled in Chemung County and the budget was reduced by \$491,000.
- The increase in the home and community services budget resulted from the receipt of a planning department grant of \$750,000 from Community Development Block Grant funding from economic development.

COUNTY OF CHEMUNG - STATE OF NEW YORK
Management's Discussion and Analysis
For the Year Ended December 31, 2009

General Fund Final Budget Compared to Actual Expenditures

Actual expenditures were \$7,428,057 less than the final budget. The budget to actual fluctuations are summarized below:

	<u>Modified Budget</u>	<u>Actual Expenditures</u>	<u>Favorable (Unfavorable) Variances</u>
General government support	\$ 33,212,157	\$ 28,498,152	\$ 4,714,005
Education	4,000,000	4,412,651	(412,651)
Public safety	13,596,044	12,556,839	1,039,205
Health	11,427,830	10,332,092	1,095,738
Transportation	4,387,291	5,101,672	(714,381)
Economic assistance	66,020,721	63,891,661	2,129,060
Culture and recreation	2,596,655	2,349,946	246,709
Home and community services	2,187,180	2,154,840	32,340
Employee benefits	11,107,188	11,786,662	(679,474)
Debt service	4,666,778	4,689,272	(22,494)
	<u>\$153,201,844</u>	<u>\$145,773,787</u>	<u>\$ 7,428,057</u>

- Then general government expenditures were less than the amended budget because of the \$2,800,000 unused budgeted in contingency and because the distribution of sales tax to towns and villages was \$2,000,000 below budget. The reduced sales tax distribution resulted from lower than budgeted sales tax collections.
- Education expenditures exceeded the budget because there were more community college students in 2009 than anticipated.
- Health expenses were less than budget primarily because of reductions in mental health funding of approximately \$700,000. The reduction in funding made it necessary for the county to reduce the contracts for those programs.
- Economic assistance expenditures were lower than the modified budget for several reasons. The state cancelled funding for many preventive programs which resulted in the reduction of programs on the local level reducing expenses by approximately \$1,700,000. In addition the expenses for pre-k and early intervention were down by more than \$1,700,000 in 2009. The remainder of the variance was attributable to a number of smaller variances primarily due to lower demand and or reductions in state funding.

County Financial Information

The County of Chemung's 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 www.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 27 of these financial statements.

COUNTY OF CHEMUNG - STATE OF NEW YORK
Statement of Net Assets
December 31, 2009

	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>	
Assets				
Cash and cash equivalents - unrestricted	\$ 4,166,941	\$ 868,112	\$ 5,035,053	\$ 386,129
Taxes receivable - net	9,668,333	-	9,668,333	-
Other receivables - net	8,787,786	2,521,744	11,309,530	23,203
Due from other funds	1,100,666	-	1,100,666	-
State and federal aid receivables	15,236,814	-	15,236,814	-
Due from other governments	873	-	873	-
Due from external parties	3,029,833	-	3,029,833	-
Inventory	-	207,194	207,194	-
Prepaid expenditures	11,090	-	11,090	16,692
Other assets	-	-	-	5,102,470
Cash and cash equivalents - restricted	508,003	1,026,503	1,534,506	6,018,995
Unamortized bond issuance costs	-	168,601	168,601	-
Loans receivable	-	-	-	2,182,526
Restricted asset - revolving loan fund	-	-	-	265
Debt issuance costs - net of amortization	87,750	-	87,750	-
Capital assets				
Capital assets - not depreciated	21,666,751	48,287	21,715,038	-
Capital assets - net of depreciation	<u>114,261,719</u>	<u>3,096,078</u>	<u>117,357,797</u>	<u>17,619,865</u>
Total Assets	<u>\$ 178,526,559</u>	<u>\$ 7,936,519</u>	<u>\$186,463,078</u>	<u>\$ 31,350,145</u>
Liabilities				
Accounts payable	\$ 6,933,864	\$ 316,060	\$ 7,249,924	\$ 2,113,089
Accrued liabilities	4,450,913	-	4,450,913	-
Accrued compensation and related liabilities	-	703,248	703,248	16,706
Other liabilities	231,236	53,530	284,766	-
Due to external parties	-	-	-	306,429
Due to other funds	-	1,100,665	1,100,665	-
Due to other governments	4,570,064	-	4,570,064	100,639
Deferred revenues	5,529,294	-	5,529,294	265
Bond anticipation notes payable	226,000	-	226,000	-
Revenue anticipation notes payable	3,000,000	-	3,000,000	-
Long-term liabilities				
Portion due or payable within one year				
Loans payable	-	-	-	1,045,515
Bonds payable	4,120,262	540,023	4,660,285	2,691,073
Compensated absences	791,947	-	791,947	-
Portion due or payable after one year				
Loans payable	-	-	-	11,133,765
Bonds payable	34,076,117	9,604,969	43,681,086	6,483,927
Compensated absences	2,013,393	-	2,013,393	-
OPEB liability	4,452,691	538,572	4,991,263	-
Workers' compensation benefits	-	2,523,191	2,523,191	-
Total liabilities	<u>70,395,781</u>	<u>15,380,258</u>	<u>85,776,039</u>	<u>23,891,408</u>
Net Assets (Deficit)				
Investment in capital assets - net of related debt	97,732,091	944,353	98,676,444	7,203,714
Restricted for				
Capital projects	2,421,382	-	2,421,382	169,184
Unrestricted	<u>7,977,305</u>	<u>(8,388,092)</u>	<u>(410,787)</u>	<u>85,839</u>
Total net assets (deficit)	<u>108,130,778</u>	<u>(7,443,739)</u>	<u>100,687,039</u>	<u>7,458,737</u>
Total Liabilities and Net Assets	<u>\$ 178,526,559</u>	<u>\$ 7,936,519</u>	<u>\$186,463,078</u>	<u>\$ 31,350,145</u>

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, 2009

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental activities								
General government support	\$ 34,128,058	\$ 9,269,435	\$ 994,722	\$ -	\$ (23,863,901)	\$ -	\$ (23,863,901)	\$ -
Education	4,412,651	4,412,470	-	-	(181)	-	(181)	-
Public safety	18,170,354	1,240,887	1,222,250	-	(15,707,217)	-	(15,707,217)	-
Health	13,193,916	3,737,296	6,233,215	-	(3,223,405)	-	(3,223,405)	-
Transportation	16,983,056	2,511,588	-	5,602,748	(8,868,720)	-	(8,868,720)	-
Economic assistance	67,957,398	3,235,641	37,405,325	-	(27,316,432)	-	(27,316,432)	-
Culture and recreation	2,992,074	137,517	1,202,980	-	(1,651,577)	-	(1,651,577)	-
Home and community services	8,712,217	4,440,768	1,117,765	-	(3,153,684)	-	(3,153,684)	-
Debt interest	1,650,060	-	-	-	(1,650,060)	-	(1,650,060)	-
Total governmental activities	<u>168,199,784</u>	<u>28,985,602</u>	<u>48,176,257</u>	<u>5,602,748</u>	<u>(85,435,177)</u>	<u>-</u>	<u>(85,435,177)</u>	<u>-</u>
Business-type activities								
Chemung County Nursing Facility	18,222,354	15,213,935	-	-	-	(3,008,419)	(3,008,419)	-
Chemung County Tobacco Asset Securitization Corporation	<u>473,096</u>	<u>748,090</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>274,994</u>	<u>274,994</u>	<u>-</u>
Total business-type activities	<u>18,695,450</u>	<u>15,962,025</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,733,425)</u>	<u>(2,733,425)</u>	<u>-</u>
Total primary government	<u>\$ 186,895,234</u>	<u>\$ 44,947,627</u>	<u>\$ 48,176,257</u>	<u>\$ 5,602,748</u>	<u>(85,435,177)</u>	<u>(2,733,425)</u>	<u>(88,168,602)</u>	<u>-</u>
Component Units								
Industrial Development Agency	\$ 4,388,888	\$ -	\$ 2,630,349	\$ -	-	-	-	(1,758,539)
Soil and Water Conservation District	<u>701,917</u>	<u>85,828</u>	<u>586,611</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,478)</u>
Total component units	<u>\$ 5,090,805</u>	<u>\$ 85,828</u>	<u>\$ 3,216,960</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,788,017)</u>
General Revenues								
Real property taxes					26,822,806	-	26,822,806	-
Real property tax items					1,865,722	-	1,865,722	-
Non property tax items					52,066,632	-	52,066,632	-
Use of money and property					1,265,326	261	1,265,587	78,103
Sale of property and compensation for loss					966,512	-	966,512	-
Miscellaneous local sources					<u>3,979,324</u>	<u>1,033,398</u>	<u>5,012,722</u>	<u>1,703,217</u>
Total general revenues and interfund transfers					<u>86,966,322</u>	<u>1,033,659</u>	<u>87,999,981</u>	<u>1,781,320</u>
Change in Net Assets					1,531,145	(1,699,766)	(168,621)	(6,697)
Net Assets (Deficits) - Beginning					<u>106,599,633</u>	<u>(5,743,973)</u>	<u>100,855,660</u>	<u>7,465,434</u>
Net Assets (Deficits) - Ending					<u>\$ 108,130,778</u>	<u>\$ (7,443,739)</u>	<u>\$ 100,687,039</u>	<u>\$ 7,458,737</u>

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

COUNTY OF CHEMUNG - STATE OF NEW YORK
Balance Sheet
Governmental Funds
December 31, 2009

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Assets				
Cash and cash equivalents - unrestricted	\$ 1,620,489	\$ 2,346,400	\$ 91,523	\$ 4,058,412
Taxes receivable - net	9,668,333	-	-	9,668,333
Other receivables - net	5,368,917	-	964,911	6,333,828
Due from other funds	-	1,098,323	2,214,615	3,312,938
State and federal aid receivables	14,731,632	166,455	338,727	15,236,814
Prepaid expenditures	-	11,090	-	11,090
Cash and cash equivalents - restricted	-	508,003	-	508,003
Total Assets	\$ 31,389,371	\$ 4,130,271	\$ 3,609,776	\$ 39,129,418
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 5,435,228	\$ 1,251,654	\$ 246,571	\$ 6,933,453
Accrued liabilities	892,970	-	142,487	1,035,457
Retained percentages	-	231,236	-	231,236
Due to other funds	471,353	-	-	471,353
Due to other governments	4,567,668	-	2,396	4,570,064
Deferred revenues	5,529,294	-	-	5,529,294
Bond anticipation notes payable	-	226,000	-	226,000
Revenue anticipation notes payable	3,000,000	-	-	3,000,000
Total liabilities	19,896,513	1,708,890	391,454	21,996,857
Fund Balances				
Reserved for				
Miscellaneous	565,431	508,003	-	1,073,434
Unreserved				
Unappropriated	10,927,427	1,913,378	3,218,322	16,059,127
Total fund balances	11,492,858	2,421,381	3,218,322	17,132,561
Total Liabilities and Fund Balances	\$ 31,389,371	\$ 4,130,271	\$ 3,609,776	\$ 39,129,418

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, 2009

Total governmental fund balances		\$ 17,132,561
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 in the funds. These assets consist of the following		
Land	15,735,890	
Construction in progress	<u>5,930,861</u>	
Total capital assets - not depreciated		21,666,751
Buildings and improvements	59,153,663	
Infrastructure	108,242,511	
Land improvements	1,049,227	
Furniture, equipment and vehicles	<u>27,618,891</u>	
Total depreciable assets	196,064,292	
Less - accumulated depreciation	<u>(81,802,573)</u>	
Total capital assets - net of depreciation		114,261,719
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of the following		
Bonds payable	(38,196,379)	
Compensated absences	(2,805,340)	
Accrued interest	(461,200)	
OPEB liability	<u>(4,452,691)</u>	
Total liabilities		(45,915,610)
Other differences		
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	894,171	
Self-Insurance Fund	<u>3,436</u>	
Total internal service funds		897,607
Bond issuance cost		<u>87,750</u>
Net assets of governmental activities		\$ <u>108,130,778</u>

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 Balances
Governmental Funds
For the Year Ended December 31, 2009

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Real property taxes	\$ 24,270,502	\$ -	\$ 2,552,304	\$ 26,822,806
Real property tax items	1,865,722	-	-	1,865,722
Non property tax items	52,066,632	-	-	52,066,632
Department income	13,671,531	-	4,390,733	18,062,264
Intergovernmental charges	5,067,358	74,325	-	5,141,683
Use of money and property	217,760	-	1,047,566	1,265,326
Licenses and permits	11,289	-	6,180	17,469
Fines and forfeitures	326,971	-	-	326,971
Sale of property and compensation for loss	974,131	-	9,695	983,826
Miscellaneous local sources	3,086,716	638,365	36,477	3,761,558
State aid	24,813,619	639,757	1,164,850	26,618,226
Federal aid	<u>25,491,745</u>	<u>1,669,034</u>	<u>-</u>	<u>27,160,779</u>
Total revenues	151,863,976	3,021,481	9,207,805	164,093,262
Other Financing Sources				
Interfund transfers	381,883	740,376	4,919,753	6,042,012
Proceeds from long-term obligations	<u>-</u>	<u>3,442,849</u>	<u>-</u>	<u>3,442,849</u>
Total revenues and other financing sources	<u>152,245,859</u>	<u>7,204,706</u>	<u>14,127,558</u>	<u>173,578,123</u>
Expenditures				
General government support	28,498,152	636,775	-	29,134,927
Education	4,412,651	-	-	4,412,651
Public safety	12,556,839	169,301	-	12,726,140
Health	10,332,092	360,127	-	10,692,219
Transportation	5,101,673	3,749,632	5,993,542	14,844,847
Economic assistance	63,891,662	-	-	63,891,662
Culture and recreation	2,349,946	-	-	2,349,946
Home and community services	2,154,840	1,343,198	4,445,407	7,943,445
Employee benefits	11,786,661	-	1,764,100	13,550,761
Debt principal	3,471,235	-	590,882	4,062,117
Debt interest	<u>1,218,036</u>	<u>6,054</u>	<u>272,207</u>	<u>1,496,297</u>
Total expenditures	145,773,787	6,265,087	13,066,138	165,105,012
Other Financing Use				
Interfund transfers	<u>4,866,832</u>	<u>687,146</u>	<u>488,034</u>	<u>6,042,012</u>
Total expenditures and other financing use	<u>150,640,619</u>	<u>6,952,233</u>	<u>13,554,172</u>	<u>171,147,024</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Use				
	1,605,240	252,473	573,386	2,431,099
Fund Balance - Beginning	<u>9,887,618</u>	<u>2,168,908</u>	<u>2,644,936</u>	<u>14,701,462</u>
Fund Balance - Ending	<u>\$ 11,492,858</u>	<u>\$ 2,421,381</u>	<u>\$ 3,218,322</u>	<u>\$ 17,132,561</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
Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2009

Net change in fund balances - total governmental funds		\$ 2,431,099
<p>Amounts reported for governmental activities in the statement of activities are different because</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are the following</p>		
Capital outlay	8,025,143	
Depreciation expense	<u>(8,218,511)</u>	
Excess of capital outlay over depreciation		(193,368)
<p>Governmental funds report only the proceeds received from the disposal of assets. In the statement of activities, a gain or loss is recorded for each disposal. This is the loss on the disposal of fixed assets</p>		
		(17,314)
<p>Receipt of bond proceeds is a revenue in the governmental funds, but the receipt increases the liabilities in the statement of net assets. In the current period, these amounts are the following</p>		
Debt issuance		(3,442,849)
<p>Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current period, these amounts are the following</p>		
Debt repayments		3,937,603
<p>Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. In the current period, these amounts are the following</p>		
Compensated absences	(139,149)	
Accrued interest	(29,247)	
Due to other governments	109,288	
OPEB liability	<u>(1,198,239)</u>	
Subtotal		(1,257,347)
<p>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.</p>		
		87,946
<p>Amortization of bond issuance costs</p>		
		<u>(14,625)</u>
Change in net assets of governmental activities		\$ <u>1,531,145</u>

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, 2009

	<u>Enterprise Funds</u>			<u>Internal Service Funds</u>
	<u>Chemung County Nursing Facility</u>	<u>Chemung Tobacco Asset Securitization Corporation</u>	<u>Total</u>	
ASSETS				
Current Assets				
Cash and cash equivalents - unrestricted	\$ 813,839	\$ 54,273	\$ 868,112	\$ 108,529
Accounts receivable	1,811,602	710,142	2,521,744	2,453,958
State and federal receivables	-	-	-	873
Due from other funds	-	-	-	1,288,913
Inventories	<u>207,194</u>	<u>-</u>	<u>207,194</u>	<u>-</u>
Total current assets	<u>2,832,635</u>	<u>764,415</u>	<u>3,597,050</u>	<u>3,852,273</u>
Noncurrent Assets				
Restricted cash	-	1,026,503	1,026,503	-
Unamortized bond issuance costs	-	168,601	168,601	-
Property, facilities and equipment - net	<u>3,144,365</u>	<u>-</u>	<u>3,144,365</u>	<u>-</u>
Total noncurrent assets	<u>3,144,365</u>	<u>1,195,104</u>	<u>4,339,469</u>	<u>-</u>
Total Assets	<u>\$ 5,977,000</u>	<u>\$ 1,959,519</u>	<u>\$ 7,936,519</u>	<u>\$ 3,852,273</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	\$ 315,980	\$ 80	\$ 316,060	\$ 412
Accrued liabilities	-	-	-	2,954,254
Accrued compensation and related liabilities	703,248	-	703,248	-
Current portion of bonds payable	275,023	265,000	540,023	-
Other accrued expenses	53,530	-	53,530	-
Due to the County	<u>1,100,665</u>	<u>-</u>	<u>1,100,665</u>	<u>-</u>
Total current liabilities	<u>2,448,446</u>	<u>265,080</u>	<u>2,713,526</u>	<u>2,954,666</u>
Noncurrent Liabilities				
Workers' compensation benefits	2,523,191	-	2,523,191	-
Bonds payable	3,471,531	6,133,438	9,604,969	-
OPEB liability	<u>538,572</u>	<u>-</u>	<u>538,572</u>	<u>-</u>
Total noncurrent liabilities	<u>6,533,294</u>	<u>6,133,438</u>	<u>12,666,732</u>	<u>-</u>
Total Liabilities	<u>8,981,740</u>	<u>6,398,518</u>	<u>15,380,258</u>	<u>2,954,666</u>
Net Assets				
Investment in capital assets - net of related debt	944,353	-	944,353	-
Unrestricted	<u>(3,949,093)</u>	<u>(4,438,999)</u>	<u>(8,388,092)</u>	<u>897,607</u>
Total net assets (deficit)	<u>(3,004,740)</u>	<u>(4,438,999)</u>	<u>(7,443,739)</u>	<u>897,607</u>
Total Liabilities and Net Assets	<u>\$ 5,977,000</u>	<u>\$ 1,959,519</u>	<u>\$ 7,936,519</u>	<u>\$ 3,852,273</u>

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 Net Assets
Proprietary Funds
For the Year Ended December 31, 2009

	<u>Enterprise Funds</u>			<u>Internal Service Funds</u>
	<u>Chemung County Nursing Facility</u>	<u>Chemung Tobacco Asset Securitization Corporation</u>	<u>Total</u>	
Operating Revenues				
Charges for services	\$ 15,213,935	\$ 748,090	\$ 15,962,025	\$ 16,242,258
Other revenue	1,033,398	-	1,033,398	217,764
Investment income	-	261	261	-
Total operating revenues	<u>16,247,333</u>	<u>748,351</u>	<u>16,995,684</u>	<u>16,460,022</u>
Operating Expenses				
Personal services	8,095,913	-	8,095,913	-
Employee benefits	4,161,960	-	4,161,960	14,760,124
Contractual expenses	4,876,362	32,304	4,908,666	-
Depreciation	385,488	-	385,488	-
Bond amortization expense	-	11,001	11,001	-
Indirect expense	242,000	-	242,000	-
Interest expense	-	429,791	429,791	-
Workers' compensation benefits	125,247	-	125,247	1,611,952
Postemployment healthcare benefits	204,260	-	204,260	-
Total operating expenses	<u>18,091,230</u>	<u>473,096</u>	<u>18,564,326</u>	<u>16,372,076</u>
Operating Income (Loss)	<u>(1,843,897)</u>	<u>275,255</u>	<u>(1,568,642)</u>	<u>87,946</u>
Nonoperating Expenses				
Interest expense	(131,124)	-	(131,124)	-
Total nonoperating expenses	<u>(131,124)</u>	<u>-</u>	<u>(131,124)</u>	<u>-</u>
Change in Net Assets	(1,975,021)	275,255	(1,699,766)	87,946
Net Assets (Deficit) - Beginning	<u>(1,029,719)</u>	<u>(4,714,254)</u>	<u>(5,743,973)</u>	<u>809,661</u>
Net Assets (Deficit) - Ending	<u>\$ (3,004,740)</u>	<u>\$ (4,438,999)</u>	<u>\$ (7,443,739)</u>	<u>\$ 897,607</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, 2009

	<u>Chemung County Nursing Facility</u>	<u>Chemung Tobacco Asset Securitization Corporation</u>	<u>Total</u>	<u>Internal Service Funds</u>
Cash Flows from Operating Activities				
Payments to suppliers	\$ (4,826,811)	\$ -	\$ (4,826,811)	\$ -
Payments to employees	(12,219,266)	-	(12,219,266)	-
Proceeds of tobacco receipts	-	739,615	739,615	-
Interest and dividends received	-	261	261	-
Receipts from services	15,649,354	-	15,649,354	16,192,345
Payments for workers' comp benefits	-	-	-	(16,301,579)
Payments of operating expenses	-	(32,225)	(32,225)	-
Other receipts	444,746	-	444,746	217,763
Inter-governmental transfer payments	588,653	-	588,653	-
Payments of bond interest expense	-	(425,103)	(425,103)	-
Net cash flows from operating activities	<u>(363,324)</u>	<u>282,548</u>	<u>(80,776)</u>	<u>108,529</u>
Cash Flows from Capital and Related Financing Activities				
Purchase and construction of capital assets	(56,620)	-	(56,620)	-
Proceeds from issuance of bond	1,046,770	-	1,046,770	-
Payment of bond and bond anticipation note principal	(212,177)	-	(212,177)	-
Payment of bond and bond anticipation note interest	(118,393)	-	(118,393)	-
Principal repayment of bonds payable	-	(235,000)	(235,000)	-
Net cash flows from capital and related financing activities	<u>659,580</u>	<u>(235,000)</u>	<u>424,580</u>	<u>-</u>
Cash Flows from Investing Activities				
Change in restricted cash and investments	-	(30,066)	(30,066)	-
Net cash flows from investing activities	<u>-</u>	<u>(30,066)</u>	<u>(30,066)</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	296,256	17,482	313,738	108,529
Cash and Cash Equivalents - Beginning	<u>517,583</u>	<u>36,791</u>	<u>554,374</u>	<u>-</u>
Cash and Cash Equivalents - Ending	<u>\$ 813,839</u>	<u>\$ 54,273</u>	<u>\$ 868,112</u>	<u>\$ 108,529</u>
Reconciliation of Operating Income to Net Cash Flows from Operating Activities				
Operating income (loss)	\$ (1,843,897)	\$ 275,255	\$ (1,568,642)	\$ 87,946
Adjustments				
Depreciation expense	385,488	-	385,488	-
Amortization expense	-	11,001	11,001	-
Bad debts	41,645	-	41,645	-
Consumption of discount on bonds	-	4,688	4,688	-
Change in assets and liabilities				
Accounts receivable	572,378	(8,476)	563,902	-
Other receivables - net	-	-	-	(163,237)
Due from other funds	-	-	-	113,456
State and federal aid receivables	-	-	-	(133)
Inventory	(90,135)	-	(90,135)	-
Due to the County	395,998	-	395,998	-
Accounts payable	(14,312)	80	(14,232)	(3,583)
Accrued liabilities	-	-	-	74,080
Accrued compensation and related liabilities	368,114	-	368,114	-
Due to third party payors	(178,603)	-	(178,603)	-
Net Cash Flows from Operating Activities	<u>\$ (363,324)</u>	<u>\$ 282,548</u>	<u>\$ (80,776)</u>	<u>\$ 108,529</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, 2009

	Workers' Compensation Fund	Self Insurance Fund	Total
ASSETS			
Current Assets			
Cash and cash equivalents - unrestricted	\$ 1,124	\$ 107,405	\$ 108,529
Other receivables - net	2,260,000	193,958	2,453,958
Due from other funds	709,213	579,700	1,288,913
State and federal aid receivables	-	873	873
Total Assets	<u>\$ 2,970,337</u>	<u>\$ 881,936</u>	<u>\$ 3,852,273</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	\$ 412	\$ -	\$ 412
Accrued liabilities	<u>2,075,754</u>	<u>878,500</u>	<u>2,954,254</u>
Total Liabilities	<u>2,076,166</u>	<u>878,500</u>	<u>2,954,666</u>
Net Assets			
Unrestricted	<u>894,171</u>	<u>3,436</u>	<u>897,607</u>
Total Liabilities and Net Assets	<u>\$ 2,970,337</u>	<u>\$ 881,936</u>	<u>\$ 3,852,273</u>

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

COUNTY OF CHEMUNG - STATE OF NEW YORK
Combining Statement of Revenues, Expenditures and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended December 31, 2009

	Workers' Compensation Fund	Self Insurance Fund	Total
Operating Revenues			
Charges for services	\$ 1,483,037	\$ 14,759,221	\$ 16,242,258
Miscellaneous	<u>216,861</u>	<u>903</u>	<u>217,764</u>
Total operating revenues	<u>1,699,898</u>	<u>14,760,124</u>	<u>16,460,022</u>
Operating Expenses			
Salaries and benefits	-	14,760,124	14,760,124
Services and supplies	<u>1,611,952</u>	<u>-</u>	<u>1,611,952</u>
Total operating expenses	<u>1,611,952</u>	<u>14,760,124</u>	<u>16,372,076</u>
Change in Net Assets	87,946	-	87,946
Net Assets - Beginning	<u>806,225</u>	<u>3,436</u>	<u>809,661</u>
Net Assets - Ending	<u>\$ 894,171</u>	<u>\$ 3,436</u>	<u>\$ 897,607</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, 2009

	Workers' Compensation Fund	Self Insurance Fund	Total
Cash Flows from Operating Activities			
Receipts from services	\$ 1,325,031	\$ 14,867,314	\$ 16,192,345
Payments for workers' compensation benefits	(1,540,768)	(14,760,811)	(16,301,579)
Other receipts	216,861	902	217,763
Net cash flows from operating activities	1,124	107,405	108,529
Net Change in Cash and Cash Equivalents	1,124	107,405	108,529
Cash and Cash Equivalents - Beginning	-	-	-
Cash and Cash Equivalents - Ending	\$ 1,124	\$ 107,405	\$ 108,529
Reconciliation of Operating Income to Net Cash Flows from Operating Activities			
Operating income	\$ 87,946	\$ -	\$ 87,946
Adjustments			
Change in assets and liabilities			
Other receivables - net	(87,809)	(75,428)	(163,237)
Due from other funds	(70,197)	183,653	113,456
State and federal aid receivables	-	(133)	(133)
Accounts payable	(2,896)	(687)	(3,583)
Accrued liabilities	74,080	-	74,080
Net Cash Flows from Operating Activities	\$ 1,124	\$ 107,405	\$ 108,529

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, 2009

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents - unrestricted	\$ 4,669,440
Other receivables - net	345,985
Investments	<u>177,082</u>
Total assets	<u>\$ 5,192,507</u>
LIABILITIES	
Accounts payable	\$ 654
Other liabilities	2,162,021
Due to external parties	<u>3,029,832</u>
Total liabilities	<u>\$ 5,192,507</u>

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

COUNTY OF CHEMUNG - STATE OF NEW YORK
Statement of Net Assets
Component Units
December 31, 2009

	Industrial Development Agency	Soil and Water Conservation District	Total
ASSETS			
Current Assets			
Cash and cash equivalents - unrestricted	\$ 42,246	\$ 343,883	\$ 386,129
Other receivables - net	23,203	-	23,203
Grants receivable	4,887,625	54,328	4,941,953
Prepaid expenditures	7,609	9,083	16,692
Current portion of loans receivable	<u>216,136</u>	<u>-</u>	<u>216,136</u>
Total current assets	<u>5,176,819</u>	<u>407,294</u>	<u>5,584,113</u>
Noncurrent Assets			
Loans receivable - net	1,966,390	-	1,966,390
Restricted asset - revolving loan fund	265	-	265
Capital assets - net	17,508,249	111,616	17,619,865
Cash and cash equivalents - restricted	6,018,995	-	6,018,995
Other assets	<u>160,517</u>	<u>-</u>	<u>160,517</u>
Total noncurrent assets	<u>25,654,416</u>	<u>111,616</u>	<u>25,766,032</u>
Total Assets	<u>\$ 30,831,235</u>	<u>\$ 518,910</u>	<u>\$ 31,350,145</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	\$ 2,107,789	\$ 5,300	\$ 2,113,089
Accrued vacation and compensation time	-	16,706	16,706
Accrued state cost recovery assessment	100,639	-	100,639
Accrued interest	306,429	-	306,429
Loans payable - current portion	1,045,515	-	1,045,515
Bonds payable - current portion	<u>2,691,073</u>	<u>-</u>	<u>2,691,073</u>
Total current liabilities	<u>6,251,445</u>	<u>22,006</u>	<u>6,273,451</u>
Noncurrent Liabilities			
Loans payable - net of current portion	11,133,765	-	11,133,765
Bonds payable - net of current portion	6,483,927	-	6,483,927
Deferred revenue - revolving loan fund	<u>265</u>	<u>-</u>	<u>265</u>
Total noncurrent liabilities	<u>17,617,957</u>	<u>-</u>	<u>17,617,957</u>
Net Assets (Deficit)			
Investment in capital assets - net of related debt	7,203,714	-	7,203,714
Restricted	-	169,184	169,184
Unrestricted	<u>(241,881)</u>	<u>327,720</u>	<u>85,839</u>
Total net assets	<u>6,961,833</u>	<u>496,904</u>	<u>7,458,737</u>
Total Liabilities and Net Assets	<u>\$ 30,831,235</u>	<u>\$ 518,910</u>	<u>\$ 31,350,145</u>

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 Net Assets
Component Units
For the Year Ended December 31, 2009

	<u>Industrial Development Agency</u>	<u>Soil and Water Conservation District</u>	<u>Total</u>
Operating Revenues			
Development grants and reimbursements	\$ 2,630,349	\$ 406,511	\$ 3,036,860
Support grants	-	150,000	150,000
Program sales/rentals	-	85,828	85,828
Contributions - in kind	-	30,000	30,000
Rental income	1,277,498	-	1,277,498
Fee income	419,540	-	419,540
Other revenue	-	6,179	6,179
Interest and earnings	73,474	4,629	78,103
Donations	-	100	100
Total operating revenues	<u>4,400,861</u>	<u>683,247</u>	<u>5,084,108</u>
Operating Expenses			
Development grants and project costs	2,587,831	315,718	2,903,549
Property and insurance expenses	24,587	98,839	123,426
Depreciation and amortization	527,925	62,334	590,259
Interest expense	1,138,308	-	1,138,308
State cost recovery assessment	100,639	-	100,639
Other expenses	9,598	12,485	22,083
Payroll and related taxes	-	159,967	159,967
Employee benefits	-	47,081	47,081
Professional fees	-	5,493	5,493
Total operating expenses	<u>4,388,888</u>	<u>701,917</u>	<u>5,090,805</u>
Change in Net Assets	11,973	(18,670)	(6,697)
Net Assets - Beginning	<u>6,949,860</u>	<u>515,574</u>	<u>7,465,434</u>
Net Assets - Ending	<u>\$ 6,961,833</u>	<u>\$ 496,904</u>	<u>\$ 7,458,737</u>

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

Note 1. Summary of Significant Accounting Policies

Financial Reporting Entity

The County of Chemung - State of New York (the "County") 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 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's reporting entity.

Chemung County Industrial Development Agency, Inc. - (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 Agency 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 2009 was \$150,000. The District is considered a component unit and is discretely presented. The Soil and Water Conservation District uses the current financial resources measurement focus and modified accrual accounting.

Chemung County Asset Tobacco Securitization Corporation - described in detail in Note 18 of these financial statements.

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

Chemung County Tobacco Asset Securitization Corp.
203 Lake Street
Elmira, New York 14901

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

COUNTY OF CHEMUNG - STATE OF NEW YORK
Notes to Financial Statements

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 enterprise funds provided those pronouncements do not interfere with or contradict GASB pronouncements, in which case, GASB prevails. The County's most significant 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. Governmental 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 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 activities (Nursing Facility). Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses, which include centralized services and administrative overhead, are allocated among the programs, functions and segments using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not.

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

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. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining funds are aggregated and reported as non-major funds. 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 projects 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 projects fund. Other governmental funds are combined and included in the "non-major" column on the governmental funds financial statements.

COUNTY OF CHEMUNG - STATE OF NEW YORK
Notes to Financial Statements

Proprietary Funds (Business-type activities) - 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 (Trust and Agency 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 and Basis of Accounting

Accrual Basis - 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.

Modified Accrual Basis - 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.

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.

COUNTY OF CHEMUNG - STATE OF NEW YORK
Notes to Financial Statements

Use of Estimates

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results may differ from those estimates.

Cash and Cash Equivalents

For purposes of reporting the statement of cash flows, the County includes all cash accounts and all highly liquid debt instruments purchased with a maturity of three months or less from the date of purchase as cash and cash equivalents. The County invests excess cash in certificates of deposit with high credit quality financial institutions and, by policy, requires collateral for investments not covered by federal deposit insurance.

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 Federal Deposits Insurance Company (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 receivables and payables 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 governmental activities and business-type activities and are reflected as internal balances.

Interfund Transactions

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flow of cash or goods from one fund to another without a requirement for repayment are reported as an interfund transfer. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in enterprise funds. 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.

COUNTY OF CHEMUNG - STATE OF NEW YORK
Notes to Financial Statements

The 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>Capitalization Threshold</u>	<u>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

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.

Compensated Absences, Vacation and Sick Leave

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 multiplied by 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.

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 property taxes are levied annually as of January 1 payable without penalty to January 31. Unpaid taxes are advertised for tax sale beginning September 1, 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 10. The County Legislature must then act on the budget and return it to the County Executive for signature by December 7. Any changes must be reconciled and a final budget approved on or before December 15. After the budget is adopted the County 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.

COUNTY OF CHEMUNG - STATE OF NEW YORK
Notes to Financial Statements

Note 3. Deposits and Investments

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.
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 \$9,344,384, which excludes enterprise funds. The following were the bank balances according to risk categories:

	Total	Category 1	Category 2	Category 3
Cash deposits	\$ 12,271,946	\$ 6,661,691	\$ 5,610,255	\$ -

Note 4. Receivables

Real property taxes receivable at December 31, 2009 were \$9,668,333. Included in the real property taxes receivable are returned city, village, and school taxes of \$2,908,088 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 \$5,286,284 and represents an estimate of tax liens, which will not be collected within the first sixty (60) days of the subsequent year. City, village, and school district taxes not collected by the respective entity have been or will be re-levied with the County tax levy the following year.

Other governmental activity receivables consist of funds claimed but not received from various state and federal sources of \$15,236,814 at December 31, 2009, as well as funds receivable for services rendered by departments such as the Airport, Solid Waste and the Sewer Districts of \$6,333,828 at December 31, 2009.

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Notes to Financial Statements

Note 5. Long-Term Solid Waste Lease Agreement

In September 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. 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:

2010	\$ 1,000,000
2011	1,000,000
2012	1,000,000
2013	1,000,000
2014	1,000,000
Thereafter	<u>15,000,000</u>
Total	<u>\$ 20,000,000</u>

In April 2010, an amendment was made to the Operation, Management and Lease Agreement whereby the County will receive an additional \$8 million from April 2010 through May 2013 in exchange for canceling some of the infrastructure projects included in the original agreement.

Note 6. Capital Assets

Capital asset activity for the year ended December 31, 2009 was as follows:

	<u>Balance</u> <u>12/31/2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2009</u>
Governmental Activities				
Capital Assets Not Depreciated				
Land	\$ 15,710,890	\$ 25,000	\$ -	\$ 15,735,890
Construction in progress	<u>2,675,679</u>	<u>4,458,853</u>	<u>(1,203,671)</u>	<u>5,930,861</u>
Total capital assets not depreciated	<u>18,386,569</u>	<u>4,483,853</u>	<u>(1,203,671)</u>	<u>21,666,751</u>
Capital Assets Depreciated				
Land improvements	1,030,722	18,505	-	1,049,227
Buildings and building improvements	58,921,150	232,513	-	59,153,663
Infrastructure	105,295,031	2,947,480	-	108,242,511
Furniture, equipment and vehicles	<u>26,654,346</u>	<u>1,546,463</u>	<u>(581,918)</u>	<u>27,618,891</u>
Total capital assets depreciated	<u>191,901,249</u>	<u>4,744,961</u>	<u>(581,918)</u>	<u>196,064,292</u>
Less - Accumulated Depreciation				
Land improvements	447,210	50,964	-	498,174
Buildings and building improvements	18,360,068	1,009,825	-	19,369,893
Infrastructure	38,890,193	5,092,672	-	43,982,865
Furniture, equipment and vehicles	<u>16,451,195</u>	<u>2,065,050</u>	<u>(564,604)</u>	<u>17,951,641</u>
Total accumulated depreciation	<u>74,148,666</u>	<u>8,218,511</u>	<u>(564,604)</u>	<u>81,802,573</u>
Total capital assets depreciated - net	<u>117,752,583</u>	<u>(3,473,550)</u>	<u>(17,314)</u>	<u>114,261,719</u>
Governmental Activities Capital Assets - Net	<u>\$136,139,152</u>	<u>\$ 1,010,303</u>	<u>\$ (1,220,985)</u>	<u>\$135,928,470</u>

COUNTY OF CHEMUNG - STATE OF NEW YORK
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Depreciation expense was charged to governmental functions as follows:

General government support	\$	364,910
Public safety		724,798
Health		200,148
Transportation		6,034,266
Economic assistance		103,162
Culture and recreation		110,633
Home and community services		680,594
Total depreciation expense	\$	<u>8,218,511</u>

	<u>Balance</u> <u>12/31/2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2009</u>
Business-type Activities				
Capital Assets Not Depreciated				
Land	\$ <u>48,287</u>	\$ _____ -	\$ _____ -	\$ <u>48,287</u>
Capital Assets Depreciated				
Land improvements	306,998	-	-	306,998
Building and fixed equipment	8,776,803	32,987	-	8,809,790
Movable equipment	<u>1,907,782</u>	<u>23,633</u>	<u>(121,549)</u>	<u>1,809,866</u>
Total capital assets depreciated	<u>10,991,583</u>	<u>56,620</u>	<u>(121,549)</u>	<u>10,926,654</u>
Less - Accumulated Depreciation				
Land improvements	296,479	4,948	-	301,427
Buildings and fixed equipment	5,845,932	260,136	-	6,106,068
Movable equipment	<u>1,424,226</u>	<u>120,404</u>	<u>(121,549)</u>	<u>1,423,081</u>
Total accumulated depreciation	<u>7,566,637</u>	<u>385,488</u>	<u>(121,549)</u>	<u>7,830,576</u>
Total capital assets depreciated - net	<u>3,424,946</u>	<u>(328,868)</u>	<u>-</u>	<u>3,096,078</u>
Business-type Activities Capital Asset - Net	\$ <u>3,473,233</u>	\$ <u>(328,868)</u>	\$ _____ -	\$ <u>3,144,365</u>

Note 7. Pension Plan

The County 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 2009 and the three preceding years was as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
General pension contribution	\$ 2,975,770	\$ 3,316,704	\$ 3,923,227	\$ 3,815,090
Contribution for early retirement incentive	-	-	175,201	175,201
Total pension contribution	<u>\$ 2,975,770</u>	<u>\$ 3,316,704</u>	<u>\$ 4,098,428</u>	<u>\$ 3,990,291</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 ERS 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 contribution is 100% of the contribution required for each year.

COUNTY OF CHEMUNG - STATE OF NEW YORK
Notes to Financial Statements

Note 8. Deferred Compensation

The 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 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 The Hartford to become Trustee and Custodian for the County of Chemung Deferred Compensation Plan.

As of December 31, 2009, employee contributions to the plan totaled \$1,553,608, which is not displayed in the financial statements.

Note 9. 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 this 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. 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	Current Year		Ending Balance
		Balance	Claims &	Changes in	
		<u> </u>	Estimates (Net)	<u> </u>	<u> </u>
2008	\$	2,031,269	\$ (29,595)	\$	2,001,674
2009	\$	2,001,674	\$ 74,080	\$	2,075,754

Note 10. Commitments and Contingencies

In the normal course of operations the County receives grant funds from various Federal and State agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed expenditures resulting from such audits could become a liability of the governmental funds. While the amount of any expenditures which may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

COUNTY OF CHEMUNG - STATE OF NEW YORK
Notes to Financial Statements

Note 11. Short-Term Debt

Bond Anticipation Notes

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 twelve 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, 2009 is as follows:

	<u>Balance</u> <u>12/31/2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2009</u>
Governmental Activities				
Bond anticipation notes	\$ <u>239,019</u>	\$ <u>-</u>	\$ <u>(13,019)</u>	\$ <u>226,000</u>

Short-term debt at December 31, 2009 consists of BANS of \$185,000 for the Brewer Oil Brown Field Clean-up Project and \$41,000 for the Airport Jet Bridge. There was no short-term borrowing for business-type activities during 2009.

Revenue Anticipation Notes

Liabilities for revenue anticipation notes (RANS) are issued in anticipation of the receipt of revenues and are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RAN represents a liability that will be extinguished by the use of expendable, available resources of the general fund.

Short-term debt outstanding at December 31, 2009 is as follows:

	<u>Balance</u> <u>12/31/2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2009</u>
Governmental Activities				
Revenue anticipation notes	\$ <u>-</u>	\$ <u>3,000,000</u>	\$ <u>-</u>	\$ <u>3,000,000</u>

COUNTY OF CHEMUNG - STATE OF NEW YORK
Notes to Financial Statements

Note 12. Long-Term Debt

The 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.

The County's constitutional debt limit for 2009, as defined by New York State Local Finance Law is \$231,527,837. The County's qualified debt for that period is \$41,942,933 or 18% of the constitutional debt limit.

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

	<u>Balance</u> <u>12/31/2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2009</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental Activities					
General obligation bonds payable	\$ 38,691,131	\$ 3,442,849	\$ (3,937,601)	\$ 38,196,379	\$ 4,120,262
Compensated absences	2,666,191	139,149	-	2,805,340	791,947
OPEB liability	<u>3,254,452</u>	<u>1,198,239</u>	-	<u>4,452,691</u>	-
	<u>\$ 44,611,774</u>	<u>\$ 4,780,237</u>	<u>\$ (3,937,601)</u>	<u>\$ 45,454,410</u>	<u>\$ 4,912,209</u>
Business-type Activities					
General obligation bonds payable	\$ 2,911,961	\$ 1,046,770	\$ (212,177)	\$ 3,746,554	\$ 275,023
Tobacco settlement bonds	6,628,750	-	(230,312)	6,398,438	265,000
Workers' compensation	2,407,860	115,331	-	2,523,191	-
OPEB liability	<u>334,312</u>	<u>204,260</u>	-	<u>538,572</u>	-
	<u>\$ 12,282,883</u>	<u>\$ 1,366,361</u>	<u>\$ (442,489)</u>	<u>\$ 13,206,755</u>	<u>\$ 540,023</u>

COUNTY OF CHEMUNG - STATE OF NEW YORK
Notes to Financial Statements

Current year debt service payments and balances at December 31, 2009 are as follows:

<u>Bond</u>	<u>2009</u>		<u>Balance at December 31, 2009</u>		
	<u>Interest Payments</u>	<u>Principal Payments</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Public Improvement Bond, 05/01/89 - This bond had staggered maturities from 1990-2009. It carried an interest rate that starts at 7.00% and rose to 7.25%. Interest payments were made bi-annually. The bonding covered capital projects and purchases for the Sewer District, Solid Waste District and various general fund projects.	2,175	60,000	-	-	-
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 6.80%. Interest payments are made bi-annually. The bonding covers capital projects and purchases for the Nursing Facility, Solid Waste District and various general fund projects.	34,000	250,000	250,000	250,000	-
Public Improvement Bond, 07/15/92 - This bond has staggered maturities from 1993-2012. It carries an interest rate that starts at 5.40% and rises to 5.50%. Interest payments are made bi-annually. The bonding covers capital projects and purchases for various general fund projects.	82,500	375,000	1,125,000	1,125,000	-
Public Improvement Bond, 07/15/94 - This bond had staggered maturities from 1995-2009. It carried an interest rate that starts at 4.80% and rose to 5.40%. Interest payments were made bi-annually. The bonding covered capital projects and purchases for the Solid Waste District and various general fund projects.	2,025	75,000	-	-	-
Public Improvement Bond, 08/20/97 - This bond has staggered maturities from 1998-2011. It carried an interest rate that starts at 4.75% and rises to 5.25%. Interest payments were made bi-annually. The bonding covers capital projects and purchases for the Nursing Facility and various general fund projects.	-	824,779	1,775,534	1,684,799	90,735

COUNTY OF CHEMUNG - STATE OF NEW YORK
Notes to Financial Statements

<u>Bond</u>	<u>Interest Payments</u>	<u>Principal Payments</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business- type Activities</u>
Public Improvement Bond, 06/15/98 - This bond has staggered maturities from 1999-2018. It carries an interest rate that starts at 4.50% and rises to 4.55%. Interest payments are made bi-annually. The bonding covers capital projects and purchases for the Solid Waste District and various general fund projects.	37,105	160,000	740,000	740,000	-
Public Improvement Bond, 08/15/01 - This bond has staggered maturities from 2002-2021. It carries an interest rate that starts at 4.50% and rises to 4.75%. Interest payments are made bi-annually. The bonding covers capital projects and purchases for the Nursing Facility, Sewer District, Solid Waste District and various general fund projects.	121,800	150,000	2,490,000	2,405,521	84,479
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 bi-annually. The bonding covers capital projects and purchases for various general fund projects.	124,725	290,000	2,435,000	2,435,000	-
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 bi-annually. The bonding covers capital projects and purchases for various general fund projects.	168,200	230,000	3,610,000	3,568,483	41,517
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 bi-annually. The bonding covers capital projects and purchases for various general fund and Nursing Facility projects.	107,080	250,000	2,400,000	2,239,623	160,377

COUNTY OF CHEMUNG - STATE OF NEW YORK
Notes to Financial Statements

<u>Bond</u>	<u>Interest Payments</u>	<u>Principal Payments</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business- type Activities</u>
Public Improvement Bond, 08/15/05 - This bond has staggered maturities from 2006-2020. It carries an interest rate that starts at 3.80% and rises to 4.00%. Interest payments are made bi-annually. The bonding covers capital projects and purchases for various general fund and Nursing Facility projects.	215,958	370,000	5,185,000	4,120,723	1,064,277
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 4.00%. Interest payments are made bi-annually. The bonding covers capital projects and purchases for various general fund and Nursing Facility projects.	150,700	230,002	3,615,000	3,416,534	198,466
Public Improvement Bond, 8/15/07 - This bond has staggered maturities from 2008-2027. It carries an interest rate that starts at 4.125% and rises to 4.25%. Interest payments are made bi-annually. The bonding covers capital projects and purchases for various general fund and Nursing Facility projects.	263,019	215,000	5,980,000	5,696,109	283,891
Public Improvement Refunding Bond, 2/15/08 - This bond has staggered maturities from 2008-2015. It carries an interest rate that starts at 4.00% and rises to 4.25%. Interest payments are made bi-annually. The bonding covers capital projects and purchases for various general fund and Nursing Facility projects. Debt issuance costs relating to this refunding are recorded on the statement of net assets as of December 31, 2009 for \$102,375, net of amortization.	135,713	435,000	3,020,000	2,949,030	70,970

COUNTY OF CHEMUNG - STATE OF NEW YORK
Notes to Financial Statements

<u>Bond</u>	<u>Interest Payments</u>	<u>Principal Payments</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business- type Activities</u>
Clear Water State Revolving Fund, 7/08/08 - This is an interest free bond that requires annual principal payments of \$29,752. The bond matures in July 2038.	-	29,752	862,783	862,783	-
Public Improvement Bond, 9/15/08 - This bond has staggered maturities from 2009-2023. It carries an interest rate that starts at 4.00% and rises to 4.25%. Interest payments are made bi-annually. The bonding covers capital projects and purchases for various general fund and Nursing Facility projects.	168,604	205,246	3,965,000	3,259,928	705,072
Public Improvement Bond, 9/15/09 - This bond has staggered maturities from 2010-2024. It carries an interest rate that starts at 3.25% and rises to 4.00%. Interest payments are made semi-annually. The bonding covers capital projects and purchases for various general fund and Nursing Facility projects.	-	-	4,489,616	3,442,846	1,046,770
Total general obligation bonds	<u>1,613,604</u>	<u>4,149,779</u>	<u>41,942,933</u>	<u>38,196,379</u>	<u>3,746,554</u>
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 December 31, 2025. Interest ranges from 5.00% to 6.625%. As of December 31, 2009 the face value of the bond was \$6,470,000 and the remaining discount was \$71,562.	<u>429,791</u>	<u>230,312</u>	<u>6,398,438</u>	-	<u>6,398,438</u>
Total principal and interest	<u>\$ 2,043,395</u>	<u>\$ 4,380,091</u>			
Total bonds payable			48,341,371	38,196,379	10,144,992
Less - current portion general obligation bonds			<u>(4,660,285)</u>	<u>(4,120,262)</u>	<u>(540,023)</u>
			<u>\$ 43,681,086</u>	<u>\$ 34,076,117</u>	<u>\$ 9,604,969</u>

COUNTY OF CHEMUNG - STATE OF NEW YORK
Notes to Financial Statements

The annual aggregate maturities for general obligation bonds are as follows:

	Total		Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 4,395,285	\$ 1,631,323	\$ 4,120,262	\$ 1,488,408	\$ 275,023	\$ 142,915
2011	4,289,370	1,477,397	4,004,468	1,343,231	284,902	134,166
2012	3,499,752	1,335,908	3,251,666	1,210,893	248,086	125,015
2013	3,174,755	1,190,377	2,917,995	1,074,959	256,760	115,418
2014	3,239,751	1,068,300	2,971,590	962,700	268,161	105,600
2015 - 2019	13,813,749	3,446,218	12,403,749	3,078,578	1,410,000	367,640
2020 - 2024	7,768,756	1,055,115	6,828,923	943,347	939,833	111,768
2025 - 2029	1,493,756	116,026	1,429,967	110,527	63,789	5,499
2030 - 2034	148,755	-	148,755	-	-	-
2035 - 2038	119,004	-	119,004	-	-	-
	<u>\$ 41,942,933</u>	<u>\$ 11,320,664</u>	<u>\$ 38,196,379</u>	<u>\$ 10,212,643</u>	<u>\$ 3,746,554</u>	<u>\$ 1,108,021</u>

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

	Principal	Interest	Total
2010	\$ 265,000	\$ 409,759	\$ 674,759
2011	270,000	393,359	663,359
2012	285,000	376,321	661,321
2013	300,000	358,271	658,271
2014	315,000	338,971	653,971
2015 - 2019	2,010,000	1,350,941	3,360,941
2020 - 2024	2,965,000	532,198	3,497,198
2025	60,000	1,987	61,987
	<u>\$ 6,470,000</u>	<u>\$ 3,761,807</u>	<u>\$ 10,231,807</u>

Note 13. Reserves

The County has the following reserve funds for the following purposes at December 31, 2009:

Governmental Activities		
General Fund		
Reserve for FAA projects		\$ 291,385
Other reserves		<u>274,046</u>
Total		<u>565,431</u>
Capital Projects Fund		
Reserve for capital projects		<u>508,003</u>
Total governmental activities reserved fund balance		<u>\$ 1,073,434</u>

Note 14. 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 (the "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 the County. 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 receives administrative and other support services from the County. Costs for such services that are not billed and paid directly to the County are reflected in the indirect cost allocation included in the accompanying statements of activities and changes in net assets.

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

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

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of the individual receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off through charges to the valuation allowance and a credit to the applicable accounts receivable. The allowance for doubtful accounts at December 31, 2009 was \$200,000.

Revenue from Medicaid and Medicare accounted for approximately 71% of the Facility's total revenue for the year ended December 31, 2009. 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 - 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. Based upon 2006 New York State legislation, the nursing home reimbursement system was revised. The Medicaid rate is now predicted on the Medicaid only case mix of the Facility. The Facility case mix data is submitted to the New York State Department of Health (DOH) on January and July of each year. The rate is then calculated based on those semi-annual submissions. The DOH will then readjust the existing rates to reflect the submitted Medicaid only mix. At this time, there is a substantial backlog in issuance of the new rates from the DOH. The Facility has had an increase in its case mix from the original rates that were first published. This case mix increase will have a positive impact on the daily rate which will result in future retro revenue payments due to the Facility. Adjustments resulting from third-party audits are generally made by withholding amounts from current remittances or adjusting future reimbursement rates. Under the Medicare program, nursing homes are reimbursed for defined costs of services rendered to patients. During the year, the Medicare intermediary makes interim payments which are tentatively adjusted upon filing various cost reports and are subject to final adjustment upon audit.

Medicaid prior year retroactive adjustments, which amounted to \$57,967 and covered the period January 2004 to December 2008, were recorded as an increase in operating revenue for the year ended December 31, 2009.

In previous years, the New York State Public Health Law has provided for payments to non-state operated public residential healthcare facilities based on Medicaid days. This funding, which is an "Inter-Governmental Transfer (IGT)", has historically been received through the County. IGT revenues for 2006 through 2008 of \$588,653 and \$6,657,689 were received by the Facility in 2009 and 2008, respectively. IGT revenues for 2009 have not been recorded at December 31, 2009 as the amount is not yet measurable.

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

Due to third party payors, as reflected in the accompanying balance sheet, are generally payable as a 10% maximum withholding from current Medicaid remittances. At December 31, 2009, there were no amounts payable to New York State Department of Health for Medicaid rate adjustments.

Disadvantaged Facility Funding - The New York State Health and Medicaid budget bill passed in 2004 provided for additional state funding to be available over a two-year period as a short-term relief measure for financially distressed facilities. The money was intended to be distributed according to a formula methodology based on a rolling three-year average of a facility's operating margin. During 2009, the 2008 funding amount of \$394,529 was received.

Employee and Retiree Benefits

Substantially all employees of the Facility are eligible to participate in the New York State Employee's Retirement System ("the 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 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 System based on the salaries of participating employees multiplied by the most recent rates available from the System plus a calculation for early retirement incentives. The pension contribution for the year ended December 31, 2009 amounted to \$513,424.

COUNTY OF CHEMUNG - STATE OF NEW YORK
Notes to Financial Statements

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 activities and changes in net assets. 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, 2009, thirty-five 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, 2009, using the present value method, the Facility has recorded an estimated liability of \$2,630,962 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 \$107,771 included under current liabilities in the accompanying balance sheet.

Note 15. 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, 2009 consisted of the following:

	<u>Amount Receivable</u>	<u>Amount Payable</u>
General fund	\$ -	\$ 471,353
Capital projects fund	1,098,323	-
County road fund	-	99,590
Road machinery fund	154,794	-
Sewer fund	1,252,719	-
Solid waste fund	906,692	-
Internal service funds	1,288,912	-
Nursing facility	-	1,100,665
Trust and agency fund	-	<u>3,029,832</u>
Total	<u>\$ 4,701,440</u>	<u>\$ 4,701,440</u>

Transfers are used to:

- (1) 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) move expenditures from chargeable funds to a single fund for disbursement and
- (3) 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.

COUNTY OF CHEMUNG - STATE OF NEW YORK
Notes to Financial Statements

Note 16. 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.

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 381,883	\$ 4,866,832
Capital projects fund	740,376	687,146
County road fund	4,614,490	228,775
Sewer fund	305,263	259,259
Total	\$ 6,042,012	\$ 6,042,012

Transfers are used to:

- (1) 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) fund capital projects from operating funds.

Note 17. 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 2009, there were no contributions from the County. As of December 31, 2009, 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 \$4.0 million in its 2009 real property tax levy to help finance the College's expenditures. In 2009, the County expended \$4,412,651 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, 2009:

	<u>All Funds</u>
Total assets	\$ 55,566,706
Total liabilities	\$ 27,886,713
Net assets	\$ 27,679,993
Total revenues	\$ 46,474,529
Total expenses	\$ 37,686,941

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

Note 18. Chemung Tobacco Asset Securitization Corporation

Nature of Organization

In January 1997, the State of New York filed a lawsuit against the tobacco industry, seeking to recover the costs that the state and local governments had incurred in treating smoking related illnesses. Chemung Tobacco Asset Securitization Corporation (the "Corporation") was established to acquire from the County, all or a portion of the rights, title and interest under the Master Settlement Agreement (the "MSA") and the Consent Decree and Final Judgment (the "Decree") as described herein.

The MSA includes New York and 45 other states, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the U.S. Virgin Islands, American Samoa and the Territory of the Northern Marianas, and four of the largest United States tobacco product manufacturers: Philip Morris Incorporated, R.J. Reynolds Tobacco Company, Brown and Williamson Tobacco Company, and Lorillard Tobacco Company (collectively, the "Original Participating Manufacturers"). On January 5, 2004, Reynolds American Inc. was incorporated as a holding company to facilitate the combination of the U.S. assets, liabilities, and operations of Brown and Williamson Tobacco Company with those of R.J. Reynolds Tobacco Company. The agreement was entered into in settlement of certain smoking-related litigation and the Decree entered in New York Supreme Court, including the County's right to receive certain initial and annual payments to be made by the OPMs under the MSA.

The Corporation 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, and remain in existence during the term of the bonds to collect the tobacco settlement proceeds and service the debt.

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 the 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 ("M & T"), 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.

The Corporation is a local development corporation created in October, 2000 under Section 1411 of the New York State Not-for-Profit Corporation Law. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 39, "Determining Whether Certain Organizations are Component Units", and Technical Bulletin 2004-1, "Tobacco Settlement Recognition and Financial Reporting Entity Issues", the Corporation is required to be included in the basic financial statements of the County. Accordingly, the Corporation is presented as a blended component unit of the County.

Basis of Presentation

The preparation of financial statements is in conformity with accounting principles generally accepted in the United States of America.

Tobacco Settlement Proceeds Receivable

This asset represents estimated payments to be received from the MSA between various tobacco manufacturers and state and local governments. The MSA resolved cigarette smoking-related litigation between the manufacturers and the states. The right to receive the payments was acquired by the Corporation through a purchase from the County. As of December 31, 2009 the tobacco settlement proceeds receivable amounted to \$710,142.

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. As of December 31, 2009, the restricted cash - liquidity reserve amounted to \$648,254.

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, 2009, 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. The Corporation began funding this account during 2003 and the outstanding balance at December 31, 2009 was \$378,249. In August 2008 the trapping event ended and as of December 31, 2009 the balance in the trapping account is due to the County, the holder of the resident certificate.

Restricted Securities - Held in Trust

Tobacco proceeds are held in trust by M & T on behalf of the Corporation. 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. As of December 31, 2009 there was no balance in restricted cash - held in trust.

Residual Receivable/Payable to Chemung County

The Corporation receives 100% of the County's tobacco settlement proceeds, although only 40% are applicable to the Corporation. The residual 60% is refundable to the County. As of December 31, 2009, no residual assets due to the County were held by the Corporation.

Related Party

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

Net Deficit

The net deficit is due to various expenses associated with the bonds. The future cash receipts from the MSA are expected to offset this deficit. The largest payments provided for in the MSA are called initial payments and annual payments. Both are subject to certain adjustments, reductions and offsets, which are described in the following paragraphs.

Initial payments to New York State will be made in the first five years of the agreement, starting with \$2.4 billion in 1999; the last four of these will be subject to the volume adjustment, the non-settling states reduction, and the offset for miscalculated or disputed payments. The Corporation is receiving the County's share of the payment in the last three years of the agreement, starting in 2001.

COUNTY OF CHEMUNG - STATE OF NEW YORK
Notes to Financial Statements

Annual payments to the State commenced on April 15, 2000, starting at \$2.5 billion in 2000 and continuing into perpetuity at a cap of \$9 billion to be reached in 2018. The annual payments will be subject to inflation adjustment, the volume adjustment, the previously settled states reduction, the non-settling states reduction, the non-participating manufacturers adjustment, the offset for miscalculated or disputed payments, the federal tobacco legislation offset, the litigating parties offset, and the offsets for claims. The Corporation started receiving the County's portion of the annual payments on April 15, 2001.

Note 19. Chemung County Library District

In November 2005, the voters of the County approved a ballot initiative creating a county-wide Library District. The Library District, 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 units ceased to exist. 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 20. Restricted Net Assets

The County, with the approval of the Federal Aviation Administration (FAA), began collecting passenger facility fees ("PFC") 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 21. Post Employment Healthcare Plan

Plan Description - The County contributes to the Chemung County Employee Health Care Plan ("the Plan"), a cost sharing single-employer defined benefit healthcare plan administered by Excellus Blue Cross and Blue Shield. The Plan provides medical benefits to active and retired employees of the County. Currently, the costs of these benefits are expensed as claims are incurred and are recorded as health and insurance expense. The retired employees reimburse the County for a portion of these expenses and the reimbursed amount is allocated against this expense.

The County and the retiree each pay 50% of the premium cost until the retiree becomes eligible for Medicare. When the employee becomes eligible for Medicare, the coverage converts to a Medicare PPO plan if the employee continues to live in New York State and remains the same for retirees out of state. The County pays \$108.14 of the Medicare PPO cost and 50% of the non-PPO coverage plus a Medicare off-set.

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

In December 31, 2009, an actuarial valuation was performed in which the Projected Unit Credit method was used. The actuarial assumptions include a 4% investment rate of return and an annual healthcare cost trend rate of 9.5% medical in 2011, reduced by decrements to an ultimate rate of 5% in 2020.

The actuarial value of the the Plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments. The period used to determine amortization costs for the initial Unfunded Actuarial Accrued Liability is a level period of thirty years. As of January 1, 2009, the most recent actuarial valuation date, the Other Post Employment Benefits ("OPEB") plan was unfunded, resulting in an unfunded accrued liability of \$29,477,982 for the County and \$6,142,755 for the Nursing Facility.

COUNTY OF CHEMUNG - STATE OF NEW YORK
Notes to Financial Statements

The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to CCEHCP:

	<u>County</u>	<u>Nursing Facility</u>
Annual required contribution	\$ 3,068,531	\$ 520,606
Interest on net OPEB obligation	168,458	12,641
Adjustment to annual required contribution	<u>(234,181)</u>	<u>(17,573)</u>
Annual OPEB cost (expense)	3,002,808	515,674
Contributions made	<u>(1,804,569)</u>	<u>(311,414)</u>
Increase in OPEB obligation - net	1,198,239	204,260
Net OPEB obligation - beginning of year	<u>3,254,452</u>	<u>334,312</u>
Net OPEB obligation - end of year	<u>\$ 4,452,691</u>	<u>\$ 538,572</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 is as follows:

	<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
County	12/31/2009	\$ 3,002,808	60.1%	\$ 4,452,691
Nursing Facility	12/31/2009	\$ 515,674	60.4%	\$ 538,572

Note 22. Future Implementations of GASB Pronouncements

The GASB has issued the following statements:

- Statement No. 51 Accounting and Financial Reporting for Intangible Assets. Effective for the period beginning January 1, 2010.
- Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions. 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.

Note 23. Stewardship, Compliance, Accountability

Expenditures exceeding the budget are explained as follows:

General Fund - Expenditures for education, transportation and employee benefits exceeded the budgeted amounts. The excess expenditures in education were due to additional community college chargeback payments made. These payments are statutorily required for all county residents attending New York State Community Colleges. Transportation expenditures exceeded the budget because the contract for bus transportation services, which was approved by the County Legislature, exceeded the budget and no budget modification was done for the excess. Expenditures for employee benefits exceeded the budgeted amount due to unanticipated health benefit costs in the general fund.

Note 24. Soil and Water Conservation District Net Asset Revision

The Soil and Water Conservation District was audited in the current year, which caused a revision of beginning net assets. Therefore, the December 31, 2008 component unit financial statements for the County will not be comparable to the December 31, 2009 component unit financial statements by the revision of \$118,802.

COUNTY OF CHEMUNG - STATE OF NEW YORK
Schedule of Revenue, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended December 31, 2009

	Original Adopted Budget	Final Amended Budget	Actual Results	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Real property taxes	\$ 24,804,490	\$ 24,804,490	\$ 24,270,502	\$ (533,988)
Real property tax items	1,580,000	1,580,000	1,865,722	285,722
Non property tax items	56,726,824	56,742,605	52,066,632	(4,675,973)
Department income	17,649,288	17,653,289	13,671,531	(3,981,758)
Federal aid	19,885,992	24,290,601	25,491,745	1,201,144
State aid	25,785,326	24,904,933	24,813,619	(91,314)
Intergovernmental charges	806,155	838,555	5,067,358	4,228,803
Use of money and property	397,638	397,638	217,760	(179,878)
Sale of property and compensation for loss	995,300	999,977	974,131	(25,846)
Licenses and permits	6,000	6,000	11,289	5,289
Fines and forfeitures	329,856	329,856	326,971	(2,885)
Miscellaneous local sources	<u>5,383,556</u>	<u>6,078,938</u>	<u>3,086,716</u>	<u>(2,992,222)</u>
Total revenues	<u>154,350,425</u>	<u>158,626,882</u>	<u>151,863,976</u>	<u>(6,762,906)</u>
Expenditures				
General government support	30,808,534	33,212,157	28,498,152	4,714,005
Education	4,000,000	4,000,000	4,412,651	(412,651)
Public safety	12,905,933	13,596,044	12,556,839	1,039,205
Health	11,530,985	11,427,830	10,332,092	1,095,738
Transportation	4,235,291	4,387,291	5,101,672	(714,381)
Economic assistance	65,875,090	66,020,721	63,891,661	2,129,060
Culture and recreation	3,021,669	2,596,655	2,349,946	246,709
Home and community services	1,298,721	2,187,180	2,154,840	32,340
Employee benefits	10,932,359	11,107,188	11,786,662	(679,474)
Debt service	<u>4,666,778</u>	<u>4,666,778</u>	<u>4,689,272</u>	<u>(22,494)</u>
Total expenditures	<u>149,275,360</u>	<u>153,201,844</u>	<u>145,773,787</u>	<u>7,428,057</u>
Excess of Revenues Over Expenditures	<u>5,075,065</u>	<u>5,425,038</u>	<u>6,090,189</u>	<u>665,151</u>
Other Financing Sources (Uses)				
Operating transfers in	-	-	381,883	381,883
Operating transfers out	<u>(5,075,065)</u>	<u>(5,425,038)</u>	<u>(4,866,832)</u>	<u>558,206</u>
Total other financing sources (uses) - net	<u>(5,075,065)</u>	<u>(5,425,038)</u>	<u>(4,484,949)</u>	<u>940,089</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ -</u>	<u>\$ -</u>	<u>1,605,240</u>	<u>\$ 1,605,240</u>
Fund Balances - Beginning			<u>9,887,618</u>	
Fund Balances - Ending			<u>\$ 11,492,858</u>	

COUNTY OF CHEMUNG - STATE OF NEW YORK
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2009

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture			
Pass through from:			
New York State Department of Social Services:			
Food Stamps Program	10.551		\$ 19,665,481
Food Stamps Program, Administration	10.561		1,026,985
Food Stamps Program, Administration - ARRA	10.561		50,725
Food Stamps Program, Outreach	10.580		476
New York State Department of Health:			
Eat Well Play Hard	10.551		21,817
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		<u>2,340,254</u>
Total U.S. Department of Agriculture			<u>23,105,738</u>
U.S. Department of Health and Human Services			
Pass through from:			
New York State Department of Social Services:			
Social Services Block Grant	93.667		916,762
Foster Care - Title IV-E	93.658		2,341,682
Foster Care - Title IV-E - ARRA	93.658		124,715
Adoption Assistance	93.659		962,945
Adoption Assistance - ARRA	93.659		85,848
Child Support Enforcement	93.563		642,383
Child Support Enforcement - ARRA	93.563		58,810
Home Energy Assistance Program	93.568		5,494,448
Child Care and Development Block Grant	93.575		3,282,449
Child Care and Development Block Grant - ARRA	93.713		291,457
Chafee Foster Care Independent Living	93.674		68,599
Medical Assistance Program	93.778		1,745,378
Medical Assistance Program - ARRA	93.778		1,781,313
Adoption Incentive Payments	93.603		310,769
Temporary Assistance for Needy Families Block Grant	93.558		6,065,916
Temporary Assistance for Needy Families Block Grant - ARRA	93.714		<u>712,960</u>
			<u>24,886,434</u>
New York State Department of Health:			
Immunization Grant	93.268		43,877
Maternal and Child Health Service Block Grant	93.994		<u>66,130</u>
			<u>110,007</u>
New York State Office of Mental Health:			
Block Grant for Community Mental Health Services	93.958		19,500
Federal Medicaid Administrative Salary Sharing	93.778		<u>163,966</u>
			<u>183,466</u>
New York State Office for the Aging:			
Aging - Title III, Part B	93.044		139,340
Aging - Title III, Part C	93.045		166,773
Aging - Title III, Part D	93.043		6,773
Aging - Title III, Part E	93.052		54,251
Aging - Title VII	93.042		29,379
Aging - WRAP	93.568		44,030

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF CHEMUNG - STATE OF NEW YORK
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2009

Aging - HIICAP	93.779	34,801
Aging - HEAP	93.568	75,000
Aging - Nutrition Incentive Program	93.053	58,516
Nutrition Program for Elderly, Congregate Meals - ARRA	93.707	18,918
Nutrition Program for Elderly, Home Delivered Meals - ARRA	93.705	9,158
		<u>636,939</u>
Total U.S. Department of Health and Human Services		<u>25,816,846</u>
U.S. Department of Labor		
Pass through from:		
New York State Office for the Aging:		
Senior Community Service Employment Program	17.235	<u>37,048</u>
U.S. Department of Transportation		
Direct Programs:		
Airport Improvement Program	20.106	1,317,715
Highway Planning and Construction	20.205	359,755
Federal Transit Capital Investment Grants	20.507	287,743
Federal Transit Capital Investment Grants - AARA	20.507	<u>703,956</u>
		<u>2,669,169</u>
Pass through from:		
New York State Department of Transportation:		
Federal Transit - Formula Grant	20.505	362,546
Operation Assistance	20.509	74,338
Job Access Reverse Commute	20.516	<u>19,163</u>
Total U.S. Department of Transportation		<u>3,125,216</u>
U.S. Department of Homeland Security		
Direct Programs:		
Urban Areas Security Initiative	97.090	99,758
Homeland Security Grant	97.067	<u>171,472</u>
Total U.S. Department of Homeland Security		<u>271,230</u>
U.S. Election Assistance Commission		
Passed through the New York State Board of Elections:		
Help America Vote Act Requirements Payments	90.401	<u>7,874</u>
U.S. Department of Housing and Urban Development		
Direct Program:		
CDBG Small Cities Program	14.228	<u>742,000</u>
U.S. Department of Justice		
Direct Program:		
State Criminal Alien Assistance Program	16.606	<u>8,206</u>
U.S. Environmental Protection Agency		
Pass through from:		
New York State Department of Health:		
Source Water Assessment	66.468	<u>101,201</u>
U.S. Department of Education		
Pass through from:		
New York State Department of Health:		
Early Intervention Administration	84.181	<u>76,962</u>
Total Expenditures of Federal Awards		<u>\$ 53,292,321</u>

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF CHEMUNG - STATE OF NEW YORK
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2009

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the County of Chemung - State of New York. The County of Chemung - State of New York reporting entity is defined in the notes to the County's financial statements. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies are included on the schedule. The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in the notes to the County's financial statements.

Note 2. Reporting Entity

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

Note 3. Non-monetary Assistance

Non-monetary assistance in the form of food stamps is reported in the schedule at the fair market value at the time of receipt, or the assessed value provided by the federal agency.

Note 4. Subrecipients

County of Chemung - State of New York provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided</u>
Federal Transit Capital Investment Grants	20.507	\$ 855,580
Highway Planning & Construction (Safety Audit Grant)	20.205	\$ 6,749
Federal Transit-Metropolitan Planning Grant - STEG	20.505	\$ 53,967
Federal Transit-Metropolitan Planning Grant - First Transit	20.505	\$ 99,541
Federal Transit-Metropolitan Planning Grant - City of Elmira	20.505	\$ 2,888
Operation Assistance	20.509	\$ 105,177
Job Access Reverse Commute	20.516	\$ 19,163
CDBG Small Cities Program	14.228	\$ 734,000



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

To the County Legislature
County of Chemung - State of New York
Elmira, New York

We have audited the 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, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 14, 2010. 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.

Internal Control Over Financial Reporting

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

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

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

Compliance And Other Matters

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

We noted certain matters that we reported to management of the County of Chemung - State of New York, in a separate letter dated September 14, 2010.

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

EFP Rotenberg, LLP

EFP Rotenberg, LLP
Elmira, New York
September 14, 2010



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

To the County Legislature
County of Chemung - State of New York
Elmira, New York

Compliance

We have audited the compliance of the County of Chemung - State of New York, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The County of Chemung - State of New York's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Chemung - State of New York's management. Our responsibility is to express an opinion on the County of Chemung - State of New York's compliance based on our audit.

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

In our opinion, and the reports of other auditors, the County of Chemung - State of New York, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

The management of the County of Chemung - State of New York, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of Chemung - State of New York's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of County of Chemung - State of New York's internal control over compliance.

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

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

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

EFP Rotenberg, LLP

EFP Rotenberg, LLP
Elmira, New York
September 14, 2010

COUNTY OF CHEMUNG - STATE OF NEW YORK
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2009

SUMMARY OF AUDITOR'S RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the County of Chemung - State of New York.
2. No material weaknesses relating to the audit of the financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the County of Chemung - State of New York were disclosed during the audit.
4. The auditors' report on compliance for the major federal award programs for the County of Chemung - State of New York expresses an unqualified opinion on major federal award programs.
5. There were no material weaknesses noted relative to the major federal award programs for the County of Chemung - State of New York reported in this schedule.
6. The programs tested as a major programs included:

<u>Program Name</u>	<u>CFDA Federal Number</u>
Food Stamps Program	10.551, 10.561, 10.580
Food Stamps Cluster - ARRA	10.561
Child Care and Development Block Grant	93.575
Child Care and Development Block Grant - ARRA	93.713
Temporary Assistance for Needy Families	93.558
Temporary Assistance for Needy Families - ARRA	93.714
Foster Care-Title IV-E	93.658
Foster Care-Title IV-E - ARRA	93.658
Adoption Assistance	93.659
Adoption Assistance - ARRA	93.659
Child Support	93.563
Child Support - ARRA	93.563
Medical Assistance Program	93.778
Medical Assistance Program - ARRA	93.778
Federal Medicaid Administrative Salary Sharing	93.778
Federal Transit Capital Investment Grants	20.507
Federal Transit Capital Investment Grants - ARRA	20.507
Community Development Block Grant Small Cities Program	14.228

7. The threshold for distinguishing Types A and B programs was \$1,599,006.
8. The County of Chemung - State of New York was determined to be a high-risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

NONE

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE