

COUNTY OF CHEMUNG - STATE OF NEW YORK

FINANCIAL STATEMENTS

DECEMBER 31, 2010

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, 2010, 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. We also 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, 2010, 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 August 16, 2011, 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 as a whole. 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 also not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. 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
Corning, New York
August 16, 2011

COUNTY OF CHEMUNG - STATE OF NEW YORK
Management's Discussion and Analysis
For the Year Ended December 31, 2010

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, 2010. 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 \$122,209,158. The unrestricted net assets were \$17,656,377, the invested in capital assets, net of related debt, was \$102,849,092 and \$1,703,689 was restricted as of December 31, 2010.
- The governmental "current ratio", which is an indicator of liquidity, is 2.40 and 1.71 as of December 31, 2010 and 2009, respectively.
- Governmental activities increased the County's net assets by \$14,078,380 or 13.02% in 2010 compared with an increase of \$1,531,145 or 1.44% in 2009.
- Operating grants and contributions were 24.33% and 28.38% of the total governmental revenue in 2010 and 2009, respectively.
- Business-type net assets decreased \$3,992,593 or 53.64% in 2010 as compared with a decrease of \$1,699,766 or 29.59% in 2009.

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, capital projects funds and county road which are the County's only major funds as defined by Governmental Accounting Standards Board Statement No. 34. Data from solid waste, 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
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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, 2010 and 2009

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>2010</u>	<u>2009</u>	<u>Change</u>	<u>2010</u>	<u>2009</u>	<u>Change</u>
Assets						
Current and other assets	\$ 48,518,539	\$ 42,598,089	\$ 5,920,450	\$ 4,206,407	\$ 4,792,154	\$ (585,747)
Capital assets - net	<u>140,134,993</u>	<u>135,928,470</u>	<u>4,206,523</u>	<u>3,901,293</u>	<u>3,144,365</u>	<u>756,928</u>
Total assets	<u>\$ 188,653,532</u>	<u>\$ 178,526,559</u>	<u>\$ 10,126,973</u>	<u>\$ 8,107,700</u>	<u>\$ 7,936,519</u>	<u>\$ 171,181</u>
Liabilities						
Current liabilities	\$ 20,232,783	\$ 24,941,371	\$ (4,708,588)	\$ 6,495,157	\$ 2,173,503	\$ 4,321,654
Long-term liabilities	<u>46,211,591</u>	<u>45,454,410</u>	<u>757,181</u>	<u>13,048,875</u>	<u>13,206,755</u>	<u>(157,880)</u>
Total liabilities	<u>66,444,374</u>	<u>70,395,781</u>	<u>(3,951,407)</u>	<u>19,544,032</u>	<u>15,380,258</u>	<u>4,163,774</u>
Net Assets (Deficit)						
Investments in capital assets - net of debt	102,849,092	97,732,091	5,117,001	803,127	944,353	(141,226)
Restricted	1,703,689	2,421,382	(717,693)	-	-	-
Unrestricted	<u>17,656,377</u>	<u>7,977,305</u>	<u>9,679,072</u>	<u>(12,239,459)</u>	<u>(8,388,092)</u>	<u>(3,851,367)</u>
Total net assets (deficit)	<u>122,209,158</u>	<u>108,130,778</u>	<u>14,078,380</u>	<u>(11,436,332)</u>	<u>(7,443,739)</u>	<u>(3,992,593)</u>
Total Liabilities and Net Assets (Deficit)	<u>\$ 188,653,532</u>	<u>\$ 178,526,559</u>	<u>\$ 10,126,973</u>	<u>\$ 8,107,700</u>	<u>\$ 7,936,519</u>	<u>\$ 171,181</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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Changes in Net Assets
For the Years Ended December 31, 2010 and 2009

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>2010</u>	<u>2009</u>	<u>Change</u>	<u>2010</u>	<u>2009</u>	<u>Change</u>
Revenues						
Program Revenues:						
Charges for services	\$ 36,860,895	\$ 28,985,602	\$ 7,875,293	\$ 15,830,501	\$ 15,962,025	\$ (131,524)
Operating grants and contributions	45,306,075	48,176,257	(2,870,182)	-	-	-
Capital grants and contributions	7,604,394	5,602,748	2,001,646	-	-	-
General Revenues:						
Property taxes	31,443,078	26,822,806	4,620,272	-	-	-
Other taxes	58,928,866	53,932,354	4,996,512	-	-	-
Other revenue	<u>6,096,681</u>	<u>6,211,162</u>	<u>(114,481)</u>	<u>412,209</u>	<u>1,033,659</u>	<u>(621,450)</u>
Total revenues	<u>186,239,989</u>	<u>169,730,929</u>	<u>16,509,060</u>	<u>16,242,710</u>	<u>16,995,684</u>	<u>(752,974)</u>
Program Expenses						
General government support	39,208,172	34,128,058	5,080,114	826,938	473,096	353,842
Education	5,192,602	4,412,651	779,951	-	-	-
Public safety	19,612,371	18,170,354	1,442,017	-	-	-
Health	13,276,830	13,193,916	82,914	-	-	-
Transportation	17,017,668	16,983,056	34,612	-	-	-
Economic assistance	65,267,320	67,957,398	(2,690,078)	-	-	-
Culture and recreation	2,509,775	2,992,074	(482,299)	-	-	-
Home and community services	8,524,790	8,712,217	(187,427)	-	-	-
Debt interest	1,552,081	1,650,060	(97,979)	-	-	-
Nursing facility	-	-	-	<u>19,408,365</u>	<u>18,222,354</u>	<u>1,186,011</u>
Total expenses	<u>172,161,609</u>	<u>168,199,784</u>	<u>3,961,825</u>	<u>20,235,303</u>	<u>18,695,450</u>	<u>1,539,853</u>
Change in Net Assets (Deficit)	<u>14,078,380</u>	<u>1,531,145</u>	<u>12,547,235</u>	<u>(3,992,593)</u>	<u>(1,699,766)</u>	<u>(2,292,827)</u>
Net Assets (Deficit) - Beginning	<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>
Net Assets (Deficit) - Ending	<u>\$122,209,158</u>	<u>\$108,130,778</u>	<u>\$ 14,078,380</u>	<u>\$ (11,436,332)</u>	<u>\$ (7,443,739)</u>	<u>\$(3,992,593)</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 charges for services from 2009 to 2010 was due to the County receiving a \$5 million payment from Casella Waste Systems, Inc. (Casella). The agreement and future minimum payments from Casella is described further in Note 5 to the financial statements.
- In 2009 the County had a number of improvement projects under the American Recovery and Reinvestment Act which resulted in an increase in federal grant revenue. Since these were non-reoccurring grants the operating grants and contributions revenue is lower in 2010.
- There were a number of infrastructure improvements at the airport in 2010 for which the County received substantial federal funding which is reflected as an increase in capital grants and contributions in 2010.

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- The increase in property tax revenue in 2010 resulted from an increase in payment in lieu of tax ("PILOT") agreements. Further the gross amount of these new PILOT agreements are paid to the County and then distributed to the towns and school districts. Therefore, the gross collections are recorded as revenue and the distributions are recorded as expense.
- The increase in other taxes is attributable to the 13.2% increase in sales tax revenue.
- The increase in the general government support program expense is due to increased distribution of sales tax revenue and the distribution of PILOT agreement collections to the towns and school districts.
- The increase in the public safety program expense is primarily due to an increase in other post-employment benefit expense recognition in 2010.
- The decrease in the economic assistance program expense is due to reductions in several Social Service program costs. Costs for child protective, early intervention and temporary assistance programs were all down in 2010.

Factors Affecting Overall Financial Position

Governmental Activities - During 2010, governmental activities resulted in an overall increase of net assets of \$14,078,380 which represents a 13.02% increase from 2009. 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>2010 Percentage of Total Revenue</u>	<u>2009 Percentage of Total Revenue</u>	<u>Increase (Decrease)</u>
State and Federal Aid	28.41 %	31.68 %	(3.27)%
Property tax and related items	16.88 %	15.80 %	1.08 %
Non property tax items	31.64 %	31.78 %	(0.14)%
Departmental income	19.79 %	17.08 %	2.71 %
Other	<u>3.28 %</u>	<u>3.66 %</u>	(0.38)%
Total	<u>100.00 %</u>	<u>100.00 %</u>	

Overall public assistance expenditures were as follows:

<u>Program</u>	<u>2010</u>	<u>2009</u>	<u>Difference</u>	<u>Percentage Change</u>
Temporary Assistance	\$ 3,527,399	\$ 4,287,502	\$ (760,103)	(17.73)%
Safety Net	\$ 3,031,935	\$ 2,919,153	\$ 112,782	3.86 %
Medicaid	\$ 16,676,147	\$ 17,193,317	\$ (517,170)	(3.01)%
Children Services	\$ 11,632,459	\$ 14,881,071	\$ (3,248,612)	(21.83)%

Business-type Activities - During 2010 the Chemung County Nursing Facility (the "Facility") had an overall decrease in net assets of \$3,901,000 which represents a 130% decrease. The Facility receives 100% of its revenue from patient services, which were down \$1,101,869 from 2009.

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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, 2010 was \$103,652,219. This represents an increase of \$4,975,775 from 2009. 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 1980-2010 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 for governmental and business-type activities of \$46,222,169 as of December 31, 2010. The total bonds payable was decreased by \$2,119,202 from the balance of \$48,341,371 as of December 31, 2009. The County borrowed \$2,536,764 in 2010 for various capital projects.

Economic Outlook and Future Benefits

- Employment in Chemung County remains strong for the upstate area. The County's unemployment rate was 7.7% as of December 31, 2010. This is less than the statewide average of 8.0%, and well below the national rate of 9.4%.
- 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 have recently signed new Blackhawk Helicopter contracts with Brazil, Saudi Arabia, Singapore, Bahrain and Turkey. The Chemung County facility has been named the Sikorsky International Military Completions Center of Excellence. Sikorsky has expanded into the 120,000 square foot Wings of Eagles facility. They are in the process of renovating the facility.
- CVS has completed their \$96,000,000, 751,000 square foot distribution center. This facility services hundreds of CVS drugstores throughout the northeast with an emphasis being placed on the greater New York City area. CVS employs 600 people at this facility. CVS is the largest pharmaceutical chain in the USA.
- 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.
- Schlumberger Technology's new \$56,000,000, 400,000 square foot facility is nearing completion. This natural gas support facility will employ over 400 individuals at an average annual salary of \$60,000. There have also been over 500 additional jobs in the natural gas industry that have made their home in Chemung County.
- CAF, USA, a rail car manufacturer located in the County has recently been awarded a \$298,100,000 contract to build 130 new single level rail cars. 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. This could be just the beginning of Amtrak's multi-year strategic plan to replace its entire fleet of rail cars over the next 30 years. The CAF, USA facility could be the recipient of hundreds of new rail cars over this 30-year period. CAF is also starting to gear up for its Houston rail car project which will result in 150 new employees.
- Elmira College has completed construction of a 150 student \$40,000,000 dormitory and is now in the process of renovation historic Cowles Hall. Originally constructed in 1855, Cowles Hall is on the National Register of Historic Places.

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- A new \$6,000,000 Candlewood Suites is currently under construction near the airport. When completed, it will have 70 extended stay rooms to accommodate the increase in gas workers working in the area. Another new hotel is being planned in the City of Elmira. Room Tax collections are up 44% for the first half of the year in the County. This is the largest growth in room tax in the State of New York.
- Chemung County is the retail center of 5-counties in New York State and the northern tier of Pennsylvania. There is over 3,000,000 square feet of retail space in the mall and four plaza complexes. Numerous new stores and restaurants have opened over the past several years. This retail complex is to a large extent the reason for the continued strong performance in sales tax collections. There was a 13.3% increase in sales tax collections in 2010 which lead the state. Chemung County is one of the few counties whose sales tax brings in more revenue than its property tax. This is significant because over 35% of all sales tax generated in the County comes from shoppers who reside outside the County's borders.

General Fund Budget Modifications

Budgeted appropriations were increased by \$5,695,981 from the original adopted budget. The budgetary changes are summarized as follows:

	<u>Original</u>	<u>Modified</u>	<u>Change</u>
General government support	\$ 29,312,460	\$ 32,874,349	\$ 3,561,889
Education	5,300,000	5,300,000	-
Public safety	13,207,633	13,631,482	423,849
Health	11,166,570	11,309,428	142,858
Transportation	4,429,786	4,428,247	(1,539)
Economic assistance	62,884,294	63,416,104	531,810
Culture and recreation	2,107,722	2,177,722	70,000
Home and community services	1,204,832	2,003,304	798,472
Employee benefits	12,458,668	12,627,310	168,642
Debt services	4,878,313	4,878,313	-
	<u>\$146,950,278</u>	<u>\$152,646,259</u>	<u>\$ 5,695,981</u>

- The increase in general government support budget resulted primarily from an increase in the sales tax distribution account of \$2,090,000 to account for increased distributions resulting from increased collections. There was also an increase of \$976,000 in PILOT payment distribution account to cover the distribution to other governments of their share of a new PILOT agreement. Finally, there was an increase of \$110,000 in the payroll budget for the District Attorney's Office to cover an increase in staffing in that office.
- The increase in the public safety budget resulted from an increase in the equipment budget for the sheriff's department and emergency management. Both increase were the result of additional funding.
- The increase in the economic assistance budget resulted from the addition of \$633,000 in various Temporary Assistance contracts.
- The increase in the home and community services budget was due almost completely to an increase in the planning department's budget of \$757,000 to reflect a grant received to assist a local company with the purchase of equipment.
- The increase in the employee benefits budget was an in the workers compensation budget to reflect increased payments to the workers compensation self insurance fund.

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General Fund Final Budget Compared to Actual Expenditures

Actual expenditures were \$4,817,993 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	\$ 32,874,349	\$ 32,973,434	\$ (99,085)
Education	5,300,000	5,192,602	107,398
Public safety	13,631,482	12,658,895	972,587
Health	11,309,428	10,588,925	720,503
Transportation	4,428,247	4,705,061	(276,814)
Economic assistance	63,416,104	59,545,122	3,870,982
Culture and recreation	2,177,722	1,941,323	236,399
Home and community services	2,003,304	1,802,120	201,184
Employee benefits	12,627,310	13,570,850	(943,540)
Debt service	<u>4,878,313</u>	<u>4,849,934</u>	<u>28,379</u>
	<u>\$152,646,259</u>	<u>\$147,828,266</u>	<u>\$ 4,817,993</u>

- The excess of expenditures over the modified budget in general government support was due primarily to distributions of PILOT payments to other governments.
- The actual education expenditures were less than budgeted because of lower than expected payments for community college chargebacks.
- The actual public safety expenditures were lower than the budgeted expenditures because of lower overtime costs which also resulted in lower benefit costs for the jail and sheriff's department. The combined under expended payroll and benefits were roughly \$650,000. In addition there was approximately \$180,000 in unexpended emergency management contractual expense.
- The actual health expenditures were less than the modified budget because of unexpended contractual funds budgeted in both the public health and mental health departments.
- The actual transportation expenditures were greater than the budgeted expenditures because of additional expenditures for mass transit to claim available additional state finding.
- The actual economic assistance expenditures were less than the modified budget because of \$2,500,000 unexpended contractual expenses in child protective services, \$900,000 unexpended contractual expenses in early intervention and pre-school and \$120,000 unexpended contractual expense for the office for the aging's care program.
- The actual expenditures in culture and recreation were less than adopted budget because of less summer help in the parks department resulting in lower salaries and benefits of \$150,000 and general expenses of \$60,000.
- The home and community services expenditures were lower than budgeted because of \$85,000 in unexpended planning department project funds and \$93,000 in storm water reimbursement due to delayed projects.
- The excess of actual expenditures over budget in employee benefits was primarily due to \$800,000 in additional health insurance expense.

COUNTY OF CHEMUNG - STATE OF NEW YORK
Management's Discussion and Analysis
For the Year Ended December 31, 2010

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, 2010

	<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	\$ 2,683,290	\$ 661,114	\$ 3,344,404	\$ 619,271
Taxes receivable - net	8,241,119	-	8,241,119	-
Other receivables - net	12,216,542	2,503,047	14,719,589	10,854
Due from other funds	4,983,050	-	4,983,050	-
State and federal aid receivables	13,243,795	-	13,243,795	-
Due from other governments	20,663	-	20,663	-
Due from external parties	6,537,858	-	6,537,858	-
Inventory	-	235,567	235,567	-
Prepaid expenditures	11,094	-	11,094	19,966
Other assets	-	-	-	147,473
Restricted cash	508,003	648,254	1,156,257	377,944
Loans receivable	-	-	-	3,188,750
Grants receivable - net	-	-	-	5,922,748
Restricted asset - revolving loan fund	-	-	-	265
Debt issuance costs - net of amortization	73,125	158,425	231,550	-
Capital assets				
Capital assets - not depreciated	23,453,271	688,994	24,142,265	-
Capital assets - net of depreciation	<u>116,681,722</u>	<u>3,212,299</u>	<u>119,894,021</u>	<u>17,655,363</u>
Total Assets	<u>\$ 188,653,532</u>	<u>\$ 8,107,700</u>	<u>\$196,761,232</u>	<u>\$ 27,942,634</u>
Liabilities				
Accounts payable	\$ 5,633,805	\$ 341,301	\$ 5,975,106	\$ 415,452
Accrued liabilities	5,081,043	1,015,167	6,096,210	348,813
Accrued compensation and related liabilities	-	-	-	14,007
Other liabilities	259,706	51,946	311,652	-
Due to external parties	102,634	-	102,634	-
Due to other funds	-	4,983,050	4,983,050	-
Due to other governments	3,926,056	-	3,926,056	196,147
Deferred revenues	4,326,539	-	4,326,539	265
Bond anticipation notes payable	903,000	-	903,000	-
Due to third party payors	-	103,693	103,693	-
Long-term liabilities				
Portion due or payable within one year				
Loans payable	-	-	-	906,324
Bonds payable	4,156,113	570,022	4,726,135	829,382
Compensated absences	889,639	-	889,639	-
Portion due or payable after one year				
Loans payable	-	-	-	10,866,504
Bonds payable	32,226,788	9,269,246	41,496,034	5,854,106
Compensated absences	1,879,348	-	1,879,348	-
OPEB liability	7,059,703	786,100	7,845,803	-
Workers' compensation benefits	-	<u>2,423,507</u>	<u>2,423,507</u>	-
Total liabilities	<u>66,444,374</u>	<u>19,544,032</u>	<u>85,988,406</u>	<u>19,431,000</u>
Net Assets (Deficit)				
Investment in capital assets - net of related debt	102,849,092	803,127	103,652,219	8,077,135
Restricted for				
Capital projects	980,725	-	980,725	132,375
Miscellaneous	722,964	-	722,964	-
Unrestricted	<u>17,656,377</u>	<u>(12,239,459)</u>	<u>5,416,918</u>	<u>302,124</u>
Total net assets (deficit)	<u>122,209,158</u>	<u>(11,436,332)</u>	<u>110,772,826</u>	<u>8,511,634</u>
Total Liabilities and Net Assets	<u>\$ 188,653,532</u>	<u>\$ 8,107,700</u>	<u>\$196,761,232</u>	<u>\$ 27,942,634</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, 2010

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities		Total
Primary Government								
Governmental activities								
General government support	\$ 39,208,172	\$ 15,518,292	\$ 881,639	\$ -	\$ (22,808,241)	\$ -	\$ (22,808,241)	
Education	5,192,602	5,192,602	-	-	-	-	-	
Public safety	19,612,371	1,205,675	962,842	-	(17,443,854)	-	(17,443,854)	
Health	13,276,830	3,522,078	5,312,465	-	(4,442,287)	-	(4,442,287)	
Transportation	17,017,668	2,894,465	2,591,749	5,704,604	(5,826,850)	-	(5,826,850)	
Economic assistance	65,267,320	3,492,685	34,228,158	-	(27,546,477)	-	(27,546,477)	
Culture and recreation	2,509,775	431,322	341,236	-	(1,737,217)	-	(1,737,217)	
Home and community services	8,524,790	4,603,776	987,986	1,899,790	(1,033,238)	-	(1,033,238)	
Debt interest	1,552,081	-	-	-	(1,552,081)	-	(1,552,081)	
Total governmental activities	172,161,609	36,860,895	45,306,075	7,604,394	(82,390,245)	-	(82,390,245)	
Business-type activities								
Chemung County Nursing Facility	19,408,365	15,095,294	-	-	-	(4,313,071)	(4,313,071)	
Chemung County Tobacco Asset	826,938	735,207	-	-	-	(91,731)	(91,731)	
Securitization Corporation	20,235,303	15,830,501	-	-	(4,404,802)	-	(4,404,802)	
Total business-type activities	192,396,912	52,691,396	45,306,075	7,604,394	(82,390,245)	-	(86,795,047)	
Total primary government	\$ 364,558,521	\$ 88,552,291	\$ 90,612,150	\$ 15,208,788	\$ (162,780,490)	\$ -	\$ (162,780,490)	
Component Units								
Industrial Development Agency	\$ 3,448,161	\$ -	\$ 2,159,560	\$ -	\$ -	\$ -	\$ (1,288,601)	
Soil and Water Conservation District	714,510	76,431	292,187	-	-	-	(345,892)	
Total component units	4,162,671	76,431	2,451,747	-	-	-	(1,634,493)	
General Revenues								
Real property taxes				28,136,446			28,136,446	
Real property tax items				3,306,632			3,306,632	
Non property tax items				58,928,866			58,928,866	
Use of money and property				1,233,646	138		1,233,784	
Sale of property and compensation for loss				929,473			929,473	
Miscellaneous local sources				4,295,463	50,170		4,345,633	
Interfund transfers - net				(361,901)	361,901		-	
Total general revenues and interfund transfers				96,468,625	412,209		96,880,834	
Change in Net Assets				14,078,380	(3,992,593)		10,085,787	
Net Assets (Deficit) - Beginning				108,130,778	(7,443,739)		100,687,039	
Net Assets (Deficit) - Ending				\$ 122,209,158	\$ (11,436,332)		\$ 110,772,826	

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

COUNTY OF CHEMUNG - STATE OF NEW YORK
Balance Sheet
Governmental Funds
December 31, 2010

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>County Road Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Assets					
Cash and cash equivalents	\$ 992,987	\$ 1,203,144	\$ 258,205	\$ 210,829	\$ 2,665,165
Taxes receivable - net	8,241,119	-	-	-	8,241,119
Other receivables - net	8,384,186	361,420	3,474	1,238,816	9,987,896
Due from other funds	13,664,809	1,190,453	2,884,444	2,878,244	20,617,950
State and federal aid receivables	11,089,492	2,153,194	-	-	13,242,686
Due from other governments	-	20,663	-	-	20,663
Prepaid expenditures	-	11,094	-	-	11,094
Restricted cash	-	508,003	-	-	508,003
Total Assets	<u>\$ 42,372,593</u>	<u>\$ 5,447,971</u>	<u>\$ 3,146,123</u>	<u>\$ 4,327,889</u>	<u>\$ 55,294,576</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 4,807,725	\$ 390,740	81,080	\$ 353,123	\$ 5,632,668
Accrued liabilities	1,425,284	-	49,285	73,338	1,547,907
Retained percentages	-	259,706	-	-	259,706
Due to other funds	4,769,169	2,913,800	2,954,152	791,339	11,428,460
Due to other governments	3,864,450	-	61,606	-	3,926,056
Deferred revenues	4,326,539	-	-	-	4,326,539
Bond anticipation notes payable	-	903,000	-	-	903,000
Total liabilities	<u>19,193,167</u>	<u>4,467,246</u>	<u>3,146,123</u>	<u>1,217,800</u>	<u>28,024,336</u>
Fund Balances					
Reserved for					
Capital	-	508,003	-	-	508,003
Miscellaneous	722,964	-	-	-	722,964
Unreserved					
Unappropriated	<u>22,456,462</u>	<u>472,722</u>	<u>-</u>	<u>3,110,089</u>	<u>26,039,273</u>
Total fund balances	<u>23,179,426</u>	<u>980,725</u>	<u>-</u>	<u>3,110,089</u>	<u>27,270,240</u>
Total Liabilities and Fund Balances	<u>\$ 42,372,593</u>	<u>\$ 5,447,971</u>	<u>\$ 3,146,123</u>	<u>\$ 4,327,889</u>	<u>\$ 55,294,576</u>

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

COUNTY OF CHEMUNG - STATE OF NEW YORK
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
December 31, 2010

Total Governmental Fund Balances \$ 27,270,240

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>7,717,381</u>	
Total capital assets - not depreciated		23,453,271
Buildings and improvements	61,176,168	
Infrastructure	115,152,019	
Land improvements	1,144,502	
Furniture, equipment and vehicles	<u>29,467,852</u>	
Total depreciable assets	206,940,541	
Less, accumulated depreciation	<u>(90,258,819)</u>	
Total capital assets - net of depreciation		116,681,722

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	(36,382,901)	
Compensated absences	(2,768,987)	
Accrued interest	(425,475)	
OPEB liability	<u>(7,059,703)</u>	
Total liabilities		(46,637,066)

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	1,364,430	
Self-Insurance Fund	<u>3,436</u>	
Total internal service funds		1,367,866

Bond issuance cost		<u>73,125</u>
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Net Assets of Governmental Activities \$ 122,209,158

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, 2010

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>County Road Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Real property taxes	\$ 26,161,386	\$ -	\$ -	\$ 1,975,060	\$ 28,136,446
Real property tax items	3,306,632	-	-	-	3,306,632
Non property tax items	58,928,866	-	-	-	58,928,866
Department income	19,362,061	-	-	4,549,025	23,911,086
Intergovernmental charges	5,962,423	1,046,813	-	-	7,009,236
Use of money and property	156,944	-	-	1,076,702	1,233,646
Licenses and permits	14,126	-	-	4,693	18,819
Fines and forfeitures	266,627	-	-	-	266,627
Sale of property and compensation for loss	1,198,392	-	26,521	1,372	1,226,285
Miscellaneous local sources	3,688,021	395,734	-	53,471	4,137,226
State aid	22,180,916	1,899,790	745,923	(108,466)	24,718,163
Federal aid	<u>23,233,625</u>	<u>4,958,681</u>	<u>-</u>	<u>-</u>	<u>28,192,306</u>
Total revenues	<u>164,460,019</u>	<u>8,301,018</u>	<u>772,444</u>	<u>7,551,857</u>	<u>181,085,338</u>
Other Financing Sources					
Interfund transfers	-	476,564	3,922,600	-	4,399,164
Proceeds from long-term obligations	<u>-</u>	<u>2,306,786</u>	<u>-</u>	<u>-</u>	<u>2,306,786</u>
Total revenues and other financing sources	<u>164,460,019</u>	<u>11,084,368</u>	<u>4,695,044</u>	<u>7,551,857</u>	<u>187,791,288</u>
Expenditures					
General government support	32,973,434	1,083,090	-	-	34,056,524
Education	5,192,602	-	-	-	5,192,602
Public safety	12,658,895	-	-	-	12,658,895
Health	10,588,925	(243,804)	-	-	10,345,121
Transportation	4,705,061	10,202,077	4,222,084	1,001,823	20,131,045
Economic assistance	59,545,122	-	-	-	59,545,122
Culture and recreation	1,941,323	-	-	-	1,941,323
Home and community services	1,802,120	1,479,521	-	4,327,543	7,609,184
Employee benefits	13,570,850	-	472,960	1,430,146	15,473,956
Debt principal	3,630,022	-	-	575,722	4,205,744
Debt interest	<u>1,219,912</u>	<u>4,140</u>	<u>-</u>	<u>278,276</u>	<u>1,502,328</u>
Total expenditures	<u>147,828,266</u>	<u>12,525,024</u>	<u>4,695,044</u>	<u>7,613,510</u>	<u>172,661,844</u>
Other Financing Uses					
Interfund transfers	<u>4,945,185</u>	<u>-</u>	<u>-</u>	<u>46,580</u>	<u>4,991,765</u>
Total expenditures and other financing uses	<u>152,773,451</u>	<u>12,525,024</u>	<u>4,695,044</u>	<u>7,660,090</u>	<u>177,653,609</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Use					
	11,686,568	(1,440,656)	-	(108,233)	10,137,679
Fund Balance - Beginning	<u>11,492,858</u>	<u>2,421,381</u>	<u>-</u>	<u>3,218,322</u>	<u>17,132,561</u>
Fund Balance - Ending	<u>\$ 23,179,426</u>	<u>\$ 980,725</u>	<u>\$ -</u>	<u>\$ 3,110,089</u>	<u>\$ 27,270,240</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, 2010

Net Change in Fund Balances - Total Governmental Funds		\$ 10,137,679
<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	13,096,320	
Depreciation expense	<u>(8,592,985)</u>	
Excess of capital outlay over depreciation		4,503,335
<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>		
		(296,812)
<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		(2,306,786)
<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		4,120,264
<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	36,353	
Accrued interest	35,725	
OPEB liability	<u>(2,607,012)</u>	
Subtotal		(2,534,934)
<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>		
		470,259
<p>Amortization of bond issuance costs</p>		
		<u>(14,625)</u>
Change in Net Assets of Governmental Activities		\$ <u>14,078,380</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, 2010

	<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	\$ 580,123	\$ 80,991	\$ 661,114	\$ 18,125
Accounts receivable	1,783,550	719,497	2,503,047	2,228,646
State and federal receivables	-	-	-	1,109
Due from other funds	-	-	-	9,804,412
Inventories	<u>235,567</u>	<u>-</u>	<u>235,567</u>	<u>-</u>
Total current assets	<u>2,599,240</u>	<u>800,488</u>	<u>3,399,728</u>	<u>12,052,292</u>
Noncurrent Assets				
Restricted cash	-	648,254	648,254	-
Debt issuance costs - net of amortization	-	158,425	158,425	-
Capital assets - net	<u>3,901,293</u>	<u>-</u>	<u>3,901,293</u>	<u>-</u>
Total noncurrent assets	<u>3,901,293</u>	<u>806,679</u>	<u>4,707,972</u>	<u>-</u>
Total Assets	<u>\$ 6,500,533</u>	<u>\$ 1,607,167</u>	<u>\$ 8,107,700</u>	<u>\$ 12,052,292</u>
LIABILITIES AND NET ASSETS (DEFICIT)				
Current Liabilities				
Accounts payable	\$ 341,301	\$ -	\$ 341,301	\$ 1,137
Accrued liabilities	1,015,167	-	1,015,167	3,107,661
Bonds payable - current portion	300,022	270,000	570,022	-
Other accrued expenses	51,946	-	51,946	-
Due to other funds	4,983,050	-	4,983,050	7,575,628
Due to third party payors	<u>103,693</u>	<u>-</u>	<u>103,693</u>	<u>-</u>
Total current liabilities	<u>6,795,179</u>	<u>270,000</u>	<u>7,065,179</u>	<u>10,684,426</u>
Noncurrent Liabilities				
Workers' compensation benefits	2,423,507	-	2,423,507	-
Bonds payable - net of current portion	3,401,487	5,867,759	9,269,246	-
OPEB liability	<u>786,100</u>	<u>-</u>	<u>786,100</u>	<u>-</u>
Total noncurrent liabilities	<u>6,611,094</u>	<u>5,867,759</u>	<u>12,478,853</u>	<u>-</u>
Total Liabilities	<u>13,406,273</u>	<u>6,137,759</u>	<u>19,544,032</u>	<u>10,684,426</u>
Net Assets (Deficit)				
Investment in capital assets - net of related debt	803,127	-	803,127	-
Unrestricted	<u>(7,708,867)</u>	<u>(4,530,592)</u>	<u>(12,239,459)</u>	<u>1,367,866</u>
Total net assets (deficit)	<u>(6,905,740)</u>	<u>(4,530,592)</u>	<u>(11,436,332)</u>	<u>1,367,866</u>
Total Liabilities and Net Assets	<u>\$ 6,500,533</u>	<u>\$ 1,607,167</u>	<u>\$ 8,107,700</u>	<u>\$ 12,052,292</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, 2010

	<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	\$ 15,095,294	\$ 735,207	\$ 15,830,501	\$ 17,628,134
Other revenue	50,170	-	50,170	158,235
Investment income	-	138	138	-
Total operating revenues	<u>15,145,464</u>	<u>735,345</u>	<u>15,880,809</u>	<u>17,786,369</u>
Operating Expenses				
Personal services	8,406,548	-	8,406,548	-
Employee benefits	4,823,106	-	4,823,106	15,830,127
Contractual expenses	5,056,537	24,433	5,080,970	-
Depreciation	395,538	-	395,538	-
Bond amortization expense	-	10,176	10,176	-
Indirect expense	226,150	-	226,150	-
Interest expense	-	414,080	414,080	-
Workers' compensation benefits	107,023	-	107,023	1,716,683
Postemployment healthcare benefits	247,528	-	247,528	-
Trapping payment to County	-	378,249	378,249	-
Total operating expenses	<u>19,262,430</u>	<u>826,938</u>	<u>20,089,368</u>	<u>17,546,810</u>
Operating Income (Loss)	<u>(4,116,966)</u>	<u>(91,593)</u>	<u>(4,208,559)</u>	<u>239,559</u>
Nonoperating Income (Expense)				
Interest expense	(145,935)	-	(145,935)	-
Transfers in	361,901	-	361,901	230,700
Total nonoperating income	<u>215,966</u>	<u>-</u>	<u>215,966</u>	<u>230,700</u>
Change in Net Assets	(3,901,000)	(91,593)	(3,992,593)	470,259
Net Assets (Deficit) - Beginning	<u>(3,004,740)</u>	<u>(4,438,999)</u>	<u>(7,443,739)</u>	<u>897,607</u>
Net Assets (Deficit) - Ending	<u>\$ (6,905,740)</u>	<u>\$ (4,530,592)</u>	<u>\$ (11,436,332)</u>	<u>\$ 1,367,866</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, 2010

	<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	\$ (1,403,354)	\$ -	\$ (1,403,354)	\$ -
Payments to employees	(13,124,442)	-	(13,124,442)	-
Proceeds of tobacco receipts	-	725,852	725,852	-
Interest and dividends received	-	138	138	-
Receipts from services	15,227,039	-	15,227,039	16,913,338
Payments for workers' comp benefits	-	-	-	(1,685,852)
Payments of operating expenses	-	(24,513)	(24,513)	(15,706,825)
Other receipts	50,170	-	50,170	158,235
Payments of bond interest expense	-	(409,759)	(409,759)	-
Net cash flows from operating activities	<u>749,413</u>	<u>291,718</u>	<u>1,041,131</u>	<u>(321,104)</u>
Cash Flow From Noncapital Financing Activities				
Transfers from other funds	<u>361,901</u>	-	<u>361,901</u>	<u>230,700</u>
Net cash provided by noncapital financing activities	<u>361,901</u>	-	<u>361,901</u>	<u>230,700</u>
Cash Flows from Capital and Related Financing Activities				
Purchase and construction of capital assets	(1,152,466)	-	(1,152,466)	-
Proceeds from issuance of bond	229,979	-	229,979	-
Payment of bond and bond anticipation note principal	(275,024)	-	(275,024)	-
Payment of bond and bond anticipation note interest	(147,519)	-	(147,519)	-
Principal repayment of bonds payable	-	(265,000)	(265,000)	-
Net cash flows from capital and related financing activities	<u>(1,345,030)</u>	<u>(265,000)</u>	<u>(1,610,030)</u>	-
Change in Cash and Cash Equivalents	(233,716)	26,718	(206,998)	(90,404)
Cash and Cash Equivalents - Beginning	<u>813,839</u>	<u>54,273</u>	<u>868,112</u>	<u>108,529</u>
Cash and Cash Equivalents - Ending	<u>\$ 580,123</u>	<u>\$ 80,991</u>	<u>\$ 661,114</u>	<u>\$ 18,125</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities				
Operating income (loss)	\$ (4,116,966)	\$ (91,593)	\$ (4,208,559)	\$ 239,559
Adjustments				
Depreciation expense	395,538	-	395,538	-
Amortization expense	-	10,176	10,176	-
Trapping payment to Chemung County	-	378,249	378,249	-
Bad debts	154,226	-	154,226	-
Consumption of discount on bonds	-	4,321	4,321	-
Change in assets and liabilities				
Accounts receivable	(126,174)	-	(126,174)	225,312
Due from other funds	-	-	-	(939,871)
State and federal aid receivables	-	-	-	(236)
Inventories	(28,373)	-	(28,373)	-
Due to the County	3,882,385	-	3,882,385	-
Tobacco proceeds receivable	-	(9,355)	(9,355)	-
Accounts payable	25,321	(80)	25,241	725
Accrued liabilities	-	-	-	153,407
Accrued compensation and related liabilities	459,763	-	459,763	-
Due to third party payors	103,693	-	103,693	-
Net Cash Flows from Operating Activities	<u>\$ 749,413</u>	<u>\$ 291,718</u>	<u>\$ 1,041,131</u>	<u>\$ (321,104)</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, 2010

	Workers' Compensation Fund	Self Insurance Fund	Total
ASSETS			
Current Assets			
Cash and cash equivalents - unrestricted	\$ 403	\$ 17,722	\$ 18,125
Other receivables - net	2,194,674	33,972	2,228,646
Due from other funds	3,141,289	6,663,123	9,804,412
State and federal aid receivables	-	1,109	1,109
Total Assets	\$ 5,336,366	\$ 6,715,926	\$ 12,052,292
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	\$ 1,137	\$ -	\$ 1,137
Accrued liabilities	2,105,859	1,001,802	3,107,661
Due to other funds	1,864,940	5,710,688	7,575,628
Total Liabilities	3,971,936	6,712,490	10,684,426
Net Assets			
Unrestricted	1,364,430	3,436	1,367,866
Total Liabilities and Net Assets	\$ 5,336,366	\$ 6,715,926	\$ 12,052,292

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, 2010

	Workers' Compensation Fund	Self Insurance Fund	Total
Operating Revenues			
Charges for services	\$ 2,029,307	\$ 15,598,827	\$ 17,628,134
Miscellaneous	<u>157,635</u>	<u>600</u>	<u>158,235</u>
Total operating revenues	<u>2,186,942</u>	<u>15,599,427</u>	<u>17,786,369</u>
Operating Expenses			
Employee benefits	-	15,830,127	15,830,127
Services and supplies	<u>1,716,683</u>	<u>-</u>	<u>1,716,683</u>
Total operating expenses	<u>1,716,683</u>	<u>15,830,127</u>	<u>17,546,810</u>
Operating Income (Loss)	<u>470,259</u>	<u>(230,700)</u>	<u>239,559</u>
Nonoperating Revenue			
Transfers in	<u>-</u>	<u>230,700</u>	<u>230,700</u>
Total nonoperating revenue	<u>-</u>	<u>230,700</u>	<u>230,700</u>
Change in Net Assets	470,259	-	470,259
Net Assets - Beginning	<u>894,171</u>	<u>3,436</u>	<u>897,607</u>
Net Assets - Ending	<u>\$ 1,364,430</u>	<u>\$ 3,436</u>	<u>\$ 1,367,866</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, 2010

	Workers' Compensation Fund	Self Insurance Fund	Total
Cash Flows from Operating Activities			
Receipts from services	\$ 1,527,496	\$ 15,385,842	\$ 16,913,338
Payments for workers' compensation benefits	(1,685,852)	-	(1,685,852)
Payments to employees for benefits	-	(15,706,825)	(15,706,825)
Other receipts	157,635	600	158,235
Net cash flows from operating activities	(721)	(320,383)	(321,104)
Cash Flow From Noncapital Financing Activities			
Transfers from General Fund	-	230,700	230,700
Net cash flows from noncapital financing activities	-	230,700	230,700
Change in Cash and Cash Equivalents	(721)	(89,683)	(90,404)
Cash and Cash Equivalents - Beginning	1,124	107,405	108,529
Cash and Cash Equivalents - Ending	\$ 403	\$ 17,722	\$ 18,125
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities			
Operating income (loss)	\$ 470,259	\$ (230,700)	\$ 239,559
Change in assets and liabilities			
Other receivables - net	65,326	159,986	225,312
Due from other funds	(567,136)	(372,735)	(939,871)
State and federal aid receivables	-	(236)	(236)
Accounts payable	725	-	725
Accrued liabilities	30,105	123,302	153,407
Net Cash Flows from Operating Activities	\$ (721)	\$ (320,383)	\$ (321,104)

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, 2010

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents - unrestricted	\$ 7,969,492
Other receivables - net	328,448
Due from external parties	<u>102,634</u>
Total Assets	\$ <u>8,400,574</u>
LIABILITIES	
Accounts payable	\$ 66,536
Other liabilities	1,796,180
Due to external parties	<u>6,537,858</u>
Total Liabilities	\$ <u>8,400,574</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, 2010

	Industrial Development Agency	Soil and Water Conservation District	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 285,227	\$ 334,044	\$ 619,271
Other receivables - net	10,854	-	10,854
Prepaid expenditures	11,866	8,100	19,966
Grants receivable - current portion	1,153,245	12,382	1,165,627
Loans receivable - current portion	419,837	-	419,837
Total current assets	<u>1,881,029</u>	<u>354,526</u>	<u>2,235,555</u>
Noncurrent Assets			
Loans receivable - net of current portion	2,768,913	-	2,768,913
Grants receivable - net	4,757,121	-	4,757,121
Restricted asset - revolving loan fund	265	-	265
Capital assets - net	17,537,930	117,433	17,655,363
Restricted cash	377,944	-	377,944
Other assets	147,473	-	147,473
Total noncurrent assets	<u>25,589,646</u>	<u>117,433</u>	<u>25,707,079</u>
Total Assets	<u>\$ 27,470,675</u>	<u>\$ 471,959</u>	<u>\$ 27,942,634</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	\$ 414,604	\$ 848	\$ 415,452
Accrued vacation and compensation time	-	14,007	14,007
Accrued state cost recovery assessment	196,147	-	196,147
Accrued interest	348,813	-	348,813
Loans payable - current portion	906,324	-	906,324
Bonds payable - current portion	829,382	-	829,382
Total current liabilities	<u>2,695,270</u>	<u>14,855</u>	<u>2,710,125</u>
Noncurrent Liabilities			
Loans payable - net of current portion	10,866,504	-	10,866,504
Bonds payable - net of current portion	5,854,106	-	5,854,106
Deferred revenue - revolving loan fund	265	-	265
Total noncurrent liabilities	<u>16,720,875</u>	<u>-</u>	<u>16,720,875</u>
Net Assets (Deficit)			
Investment in capital assets - net of related debt	8,077,135	-	8,077,135
Restricted	-	132,375	132,375
Unrestricted	(22,605)	324,729	302,124
Total net assets	<u>8,054,530</u>	<u>457,104</u>	<u>8,511,634</u>
Total Liabilities and Net Assets	<u>\$ 27,470,675</u>	<u>\$ 471,959</u>	<u>\$ 27,942,634</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, 2010

	<u>Industrial Development Agency</u>	<u>Soil and Water Conservation District</u>	<u>Total</u>
Operating Revenues			
Development grants and reimbursements	\$ 2,159,560	\$ 292,187	\$ 2,451,747
Support grants	-	150,000	150,000
Program sales/rentals	-	76,431	76,431
Contributions - in kind	-	30,000	30,000
Rental income	1,351,696	-	1,351,696
Fee income	551,788	-	551,788
Other revenue	20,293	22,094	42,387
Interest and earnings	92,603	3,298	95,901
Land lease	-	100,000	100,000
Donations	-	700	700
Total operating revenues	<u>4,175,940</u>	<u>674,710</u>	<u>4,850,650</u>
Operating Expenses			
Development grants and project costs	1,240,999	306,871	1,547,870
Property and insurance expenses	17,413	65,169	82,582
Depreciation and amortization	579,725	47,651	627,376
Interest expense	1,383,715	-	1,383,715
Other expenses	226,309	13,977	240,286
Payroll and related taxes	-	195,291	195,291
Employee benefits	-	80,105	80,105
Professional fees	-	5,446	5,446
Total operating expenses	<u>3,448,161</u>	<u>714,510</u>	<u>4,162,671</u>
Change in Net Assets	727,779	(39,800)	687,979
Net Assets - Beginning	<u>7,326,751</u>	<u>496,904</u>	<u>7,823,655</u>
Net Assets - Ending	<u>\$ 8,054,530</u>	<u>\$ 457,104</u>	<u>\$ 8,511,634</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 2010 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. 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 combined with direct expenses activity.

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 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. The county road fund is a special revenue fund used to account for the specific proceeds and expenditures of the maintenance and construction of the County's highway system. 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 an original maturity of three months or less. 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..

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 funds are recorded in both the business-type activities column in the government-wide statement of net assets and in the respective fund financial statements.

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.

	Capitalization Threshold	Years
Construction in progress	All assets	N/A
Land	All assets	N/A
Land improvements	\$5,000	20-40
Buildings	All assets	10-80
Building improvements	\$5,000	10-80
Infrastructure	\$5,000	6-100
Furniture, equipment, software and vehicles	\$5,000	5-20
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 purposes 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 capital improvements, FAA projects and other miscellaneous purposes.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise funds. 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 \$11,160,785, which excludes enterprise funds. The following were the bank balances according to risk categories:

	Total	Category 1	Category 2	Category 3
Cash deposits	\$ 16,841,695	\$ 9,895,733	\$ 6,945,962	\$ -

Note 4. Receivables

Real property taxes receivable at December 31, 2010 were \$8,241,119. Included in the real property taxes receivable are returned city, village, and school taxes of \$2,285,827 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 \$4,322,279 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 \$13,242,686 at December 31, 2010, as well as funds receivable for services rendered by departments such as the Airport, Solid Waste and the Sewer Districts of \$9,987,896 at December 31, 2010.

COUNTY OF CHEMUNG - STATE OF NEW YORK
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:

2011	\$ 1,000,000
2012	1,000,000
2013	1,000,000
2014	1,000,000
2015	1,000,000
Thereafter	<u>14,000,000</u>
Total	<u>\$ 19,000,000</u>

In April 2010, an amendment was made to the Operation, Management and Lease Agreement whereby the County will receive an additional \$8,000,000 from April 2010 through May 2013 in exchange for canceling some of the infrastructure projects included in the original agreement. Of the \$8,000,000, \$5,000,000 was received in the year ended December 31, 2010. Payments of the remaining balance will be received in \$1,000,000 installments over a period of three years.

Note 6. Capital Assets

Capital asset activity for the year ended December 31, 2010 was as follows:

	<u>Balance</u> <u>12/31/2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2010</u>
Governmental Activities				
Capital Assets Not Depreciated				
Land	\$ 15,735,890	\$ -	\$ -	\$ 15,735,890
Construction in progress	<u>5,930,861</u>	<u>6,621,730</u>	<u>(4,835,210)</u>	<u>7,717,381</u>
Total capital assets not depreciated	<u>21,666,751</u>	<u>6,621,730</u>	<u>(4,835,210)</u>	<u>23,453,271</u>
Capital Assets Depreciated				
Land improvements	1,049,227	95,275	-	1,144,502
Buildings and building improvements	59,153,663	2,022,505	-	61,176,168
Infrastructure	108,242,511	6,909,508	-	115,152,019
Furniture, equipment and vehicles	<u>27,618,891</u>	<u>1,991,708</u>	<u>(142,747)</u>	<u>29,467,852</u>
Total capital assets depreciated	<u>196,064,292</u>	<u>11,018,996</u>	<u>(142,747)</u>	<u>206,940,541</u>
Less, Accumulated Depreciation				
Land improvements	498,174	54,635	-	552,809
Buildings and building improvements	19,369,893	1,044,533	-	20,414,426
Infrastructure	43,982,865	5,596,419	-	49,579,284
Furniture, equipment and vehicles	<u>17,951,641</u>	<u>1,897,398</u>	<u>(136,739)</u>	<u>19,712,300</u>
Total accumulated depreciation	<u>81,802,573</u>	<u>8,592,985</u>	<u>(136,739)</u>	<u>90,258,819</u>
Total capital assets depreciated - net	<u>114,261,719</u>	<u>2,426,011</u>	<u>(6,008)</u>	<u>116,681,722</u>
Governmental Activities Capital Assets - Net	<u>\$135,928,470</u>	<u>\$ 9,047,741</u>	<u>\$ (4,841,218)</u>	<u>\$140,134,993</u>

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

Depreciation expense was charged to governmental functions as follows:

General government support	\$	380,396
Public safety		678,435
Health		154,896
Transportation		6,324,412
Economic assistance		154,355
Culture and recreation		107,275
Home and community services		793,216
Total depreciation expense	\$	<u>8,592,985</u>

	<u>Balance</u> <u>12/31/2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2010</u>
Business-type Activities				
Capital Assets Not Depreciated				
Land	\$ 48,287	\$ -	\$ -	\$ 48,287
Construction in progress	<u>-</u>	<u>640,707</u>	<u>-</u>	<u>640,707</u>
Total non-depreciable capital assets	<u>48,287</u>	<u>640,707</u>	<u>-</u>	<u>688,994</u>
Capital Assets Depreciated				
Land improvements	306,998	39,738	-	346,736
Building and fixed equipment	8,809,790	384,055	(15,271)	9,178,574
Movable equipment	<u>1,809,866</u>	<u>90,036</u>	<u>(21,678)</u>	<u>1,878,224</u>
Total capital assets depreciated	<u>10,926,654</u>	<u>513,829</u>	<u>(36,949)</u>	<u>11,403,534</u>
Less, Accumulated Depreciation				
Land improvements	301,427	3,777	-	305,204
Buildings and fixed equipment	6,106,068	284,052	(15,271)	6,374,849
Movable equipment	<u>1,423,081</u>	<u>107,709</u>	<u>(19,608)</u>	<u>1,511,182</u>
Total accumulated depreciation	<u>7,830,576</u>	<u>395,538</u>	<u>(34,879)</u>	<u>8,191,235</u>
Total capital assets depreciated - net	<u>3,096,078</u>	<u>118,291</u>	<u>(2,070)</u>	<u>3,212,299</u>
Business-type Activities Capital Asset - Net	<u>\$ 3,144,365</u>	<u>\$ 758,998</u>	<u>\$ (2,070)</u>	<u>\$ 3,901,293</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 2010 and the three preceding years was as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General pension contribution	\$ 4,576,065	\$ 2,975,770	\$ 3,316,704	\$ 3,923,227
Contribution for early retirement incentive	<u>-</u>	<u>-</u>	<u>-</u>	<u>175,201</u>
Total pension contribution	<u>\$ 4,576,065</u>	<u>\$ 2,975,770</u>	<u>\$ 3,316,704</u>	<u>\$ 4,098,428</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, 2010, employee contributions to the plan totaled \$1,431,063, 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:

	<u>Beginning Balance</u>	<u>Current Year Claims & Changes in Estimates (Net)</u>	<u>Ending Balance</u>
2009	\$ 2,001,674	\$ 74,080	\$ 2,075,754
2010	\$ 2,075,754	\$ 30,105	\$ 2,105,859

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, 2010 is as follows:

	<u>Balance</u> <u>12/31/2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2010</u>
Governmental Activities				
Bond anticipation notes	\$ <u>226,000</u>	\$ <u>903,000</u>	\$ <u>(226,000)</u>	\$ <u>903,000</u>

Short-term debt at December 31, 2010 consisted of a BAN in the amount of \$903,000 issued for general road work. There was no short-term borrowing for business-type activities during 2010.

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, 2010 is as follows:

	<u>Balance</u> <u>12/31/2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2010</u>
Governmental Activities				
Revenue anticipation notes	\$ <u>3,000,000</u>	\$ <u>-</u>	\$ <u>(3,000,000)</u>	\$ <u>-</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 2010, as defined by New York State Local Finance Law is \$231,445,480. The County's qualified debt for that period is \$40,084,410 or 17% of the constitutional debt limit.

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

	<u>Balance</u> <u>12/31/2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2010</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental Activities					
General obligation bonds payable	\$ 38,196,379	\$ 2,306,786	\$ (4,120,264)	\$ 36,382,901	\$ 4,156,113
Compensated absences	2,805,340	-	(36,353)	2,768,987	889,639
OPEB liability	<u>4,452,691</u>	<u>2,607,012</u>	<u>-</u>	<u>7,059,703</u>	<u>-</u>
	<u>\$ 45,454,410</u>	<u>\$ 4,913,798</u>	<u>\$ (4,156,617)</u>	<u>\$ 46,211,591</u>	<u>\$ 5,045,752</u>
Business-type Activities					
General obligation bonds payable	\$ 3,746,554	\$ 229,978	\$ (275,023)	\$ 3,701,509	\$ 300,022
Tobacco settlement bonds	6,398,438	-	(260,679)	6,137,759	270,000
Workers' compensation	2,523,191	-	(99,684)	2,423,507	-
OPEB liability	<u>538,572</u>	<u>247,528</u>	<u>-</u>	<u>786,100</u>	<u>-</u>
	<u>\$ 13,206,755</u>	<u>\$ 477,506</u>	<u>\$ (635,386)</u>	<u>\$ 13,048,875</u>	<u>\$ 570,022</u>

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

Current year debt service payments and balances at December 31, 2010 are as follows:

<u>Bond</u>	<u>2010</u>		<u>Balance at December 31, 2010</u>		
	<u>Interest Payments</u>	<u>Principal Payments</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business- type Activities</u>
Public Improvement Bonds, 07/15/91 - These bonds have staggered maturities from 1992-2010. These carry 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.	\$ 17,000	\$ 250,000	\$ -	\$ -	\$ -
Public Improvement Bonds, 07/15/92 - These bonds have staggered maturities from 1993-2012. They carry 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.	61,875	375,000	750,000	750,000	-
Public Improvement Bonds, 08/20/97 - These bonds have staggered maturities from 1998-2011. They carry 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.	-	865,916	909,615	863,132	46,483
Public Improvement Bonds, 06/15/98 - These bonds have staggered maturities from 1999-2018. They carry 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.	29,793	165,000	575,000	575,000	-
Public Improvement Bonds, 08/15/01 - These bonds have staggered maturities from 2002-2021. They carry 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.	115,050	160,000	2,330,000	2,250,949	79,051

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 Bonds, 03/15/02 - These bonds have staggered maturities from 2003-2016. They carry 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.	112,400	305,000	2,130,000	2,130,000	-
Public Improvement Bonds, 08/15/03 - These bonds have staggered maturities from 2004-2021. They 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.	158,425	240,000	3,370,000	3,331,244	38,756
Public Improvement Bonds, 06/15/04 - These bonds have staggered maturities from 2005-2017. They carry 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.	96,370	260,000	2,140,000	1,996,997	143,003
Public Improvement Bonds, 08/15/05 - These bonds have staggered maturities from 2006-2020. They carry 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.	201,898	385,000	4,800,000	3,814,747	985,253
Public Improvement Bonds, 11/01/06 - These bonds have staggered maturities from 2007-2021. They carry 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.	142,075	239,998	3,375,000	3,189,712	185,288

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 Bonds, 8/15/07 - These bonds have staggered maturities from 2008-2027. They carry 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.	254,150	225,000	5,755,000	5,481,790	273,210
Public Improvement Refunding Bonds, 2/15/08 - These bonds have staggered maturities from 2008-2015. They carry 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, 2010 for \$73,125, net of amortization.	118,313	450,000	2,570,000	2,509,605	60,395
Clear Water State Revolving Fund, 7/08/08 - These are interest free bonds that requires annual principal payments of \$29,752. The bonds mature in July 2038.	-	29,752	833,030	833,030	-
Public Improvement Bonds, 9/15/08 - These bonds have staggered maturities from 2009-2023. They carry 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.	160,394	215,000	3,750,000	3,083,136	666,864
Public Improvement Bonds, 9/15/09 - These bonds have staggered maturities from 2010-2024. They carry 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.	163,581	229,619	4,260,000	3,266,773	993,227

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 Bonds, 12/1/10 - These bonds have staggered maturities from 2011-2023. They carry 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.	-	-	<u>2,536,765</u>	<u>2,306,786</u>	<u>229,979</u>
Total general obligation bonds	<u>1,631,324</u>	<u>4,395,285</u>	<u>40,084,410</u>	<u>36,382,901</u>	<u>3,701,509</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, 2010 the face value of the bond was \$6,470,000 and the remaining discount was \$67,241.	<u>414,080</u>	<u>260,679</u>	<u>6,137,759</u>	-	<u>6,137,759</u>
Total principal and interest	<u>\$ 2,045,404</u>	<u>\$ 4,655,964</u>			
Total bonds payable			46,222,169	36,382,901	9,839,268
Less - current portion general obligation bonds			<u>(4,726,135)</u>	<u>(4,156,113)</u>	<u>(570,022)</u>
			<u>\$ 41,496,034</u>	<u>\$ 32,226,788</u>	<u>\$ 9,269,246</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
2011	\$ 4,456,135	\$ 1,553,786	\$ 4,156,113	\$ 1,412,695	\$ 300,022	\$ 141,091
2012	3,659,750	1,418,058	3,397,159	1,285,596	262,591	132,462
2013	3,344,754	1,267,328	3,072,583	1,144,933	272,171	122,395
2014	3,414,750	1,139,724	3,130,724	1,027,649	284,026	112,075
2015	3,554,749	1,000,099	3,259,400	898,984	295,349	101,115
2016 - 2020	14,003,751	3,123,563	12,481,724	2,788,984	1,522,027	334,579
2021 - 2025	6,348,758	792,134	5,626,789	713,317	721,969	78,817
2026 - 2030	1,063,755	58,863	1,020,401	56,075	43,354	2,788
2031 - 2035	148,755	-	148,755	-	-	-
2036 - 2038	89,253	-	89,253	-	-	-
	<u>\$ 40,084,410</u>	<u>\$ 10,353,555</u>	<u>\$ 36,382,901</u>	<u>\$ 9,328,233</u>	<u>\$ 3,701,509</u>	<u>\$ 1,025,322</u>

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

	Principal	Interest	Total
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	325,000	318,624	643,624
2016 - 2020	2,215,000	1,214,880	3,429,880
2021 - 2025	<u>2,495,000</u>	<u>351,622</u>	<u>2,846,622</u>
	<u>\$ 6,205,000</u>	<u>\$ 3,352,048</u>	<u>\$ 9,557,048</u>

Note 13. Reserves

The County has the following reserve funds for the following purposes at December 31, 2010:

Governmental Activities

General Fund	
Reserve for FAA projects	\$ 455,819
Other reserves	<u>267,145</u>
Total	<u>722,964</u>
Capital Projects Fund	
Reserve for capital projects	<u>508,003</u>
Total governmental activities reserved fund balance	<u>\$ 1,230,967</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, 2010 was \$325,000.

Revenue from Medicaid and Medicare accounted for approximately 70% of the Facility's total revenue for the year ended December 31, 2010. 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. New York State rebasing legislation was enacted in 2006 and authorized an update of the Medicaid rates from a cost base year of 1983 to a 2002 cost base. As of December 31, 2010, the rebasing rates authorized in 2006 has not been implemented. The New York State Health/Mental Health Article VII Budget Bill (S.2809-D) was passed in 2011 and includes rebasing funding for the period April 1, 2009 through March 31, 2011. The Facility estimates that approximately \$580,000 will be received in 2011 as a result of rebasing and trend recoupment. However, these rebasing revenues have not been recorded at December 31, 2010 as the amount is not yet measurable. 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 report and are subject to final adjustment upon audit.

Prior year rate, audit and other adjustments - Medicaid retroactive adjustments, which amounted to \$182,600 for the period November 2005 to October 2009, were recorded as a decrease in operating revenues for the year ended December 31, 2010. Additionally, in September 2010, New York State implemented a reduction of 1.1% for all Medicaid payments processed on or after September 16, 2010 through March 31, 2011. The reduction amounted to \$29,200 for the year ended December 31, 2010 and was recorded as a decrease in operating revenues for the year ended December 31, 2010. Prior year Medicaid retroactive adjustments, which amounted to \$57,967 for the period January 2004 to December 2008, were recorded as an increase in operating revenues for the year ended December 31, 2009.

Inter-Governmental Transfer (IGT) - In previous years, the New York State Public Health Law has provided for payments to non-state operated public residential healthcare facilities, such as the Chemung County Nursing Facility, based on Medicaid days. This funding, which is an "Inter-Governmental Transfer (IGT)", has historically been received through the County. IGT revenues for the three year period 2006 through 2008 were \$7,246,345 of which \$588,653 was received by the Facility in 2009. The Facility anticipated IGT revenues for the period 2009 through 2010 to approximate \$4,800,000. However, IGT revenues for 2009 and 2010 have not been recorded at December 31, 2010 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 15% maximum withholding from current Medicaid remittances. At December 31, 2010, \$103,693 was 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. During 2010, the remaining 2008 amount of \$2,422 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, 2010 amounted to \$842,125.

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, 2010, thirty-four 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, 2010, using the present value method, the Facility has recorded an estimated liability of \$2,737,985 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 (\$314,478) 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, 2010 consisted of the following:

	Amount Receivable	Amount Payable
General fund	\$ 13,664,809	\$ 4,769,169
Capital projects fund	1,190,453	2,913,800
County road fund	2,884,444	2,954,152
Road machinery fund	445,892	320,049
Sewer fund	1,843,147	212,275
Solid waste fund	589,205	259,015
Internal service funds	9,804,412	7,575,628
Nursing facility	-	4,983,050
Trust and agency fund	102,634	6,537,858
Total	\$ 30,524,996	\$ 30,524,996

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	\$ -	\$ 4,945,185
Capital projects fund	476,564	-
County road fund	3,922,600	-
Sewer fund	-	46,580
Internal service fund	230,700	-
Nursing facility	361,901	-
Total	\$ 4,991,765	\$ 4,991,765

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 2010, there were no contributions from the County. As of December 31, 2010, 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 \$5.3 million in its 2010 real property tax levy to help finance the College's expenditures. In 2010, the County expended \$5,192,602 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, 2010:

	<u>All Funds</u>
Total assets	\$ 60,486,107
Total liabilities	\$ 32,148,224
Net assets	\$ 28,337,883
Total revenues	\$ 43,541,055
Total expenses	\$ 42,883,165

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.

Method of Accounting - The Corporation maintains its books and prepares its financial statements on the accrual basis of accounting.

Estimates - The preparation of financial statements in conformity with accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tobacco Settlement Proceeds Receivable

This asset represents estimated annual 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, 2010 the tobacco settlement proceeds receivable amounted to \$719,497.

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, 2010, 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 and 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, 2008, there were insufficient available assets to fully satisfy the 25% trapping requirement. Future payments of residual certificates were suspended, and available monies trapped, until the 25% trapping requirement was satisfied or the downgrade condition was removed.

In August 2008 the trapping event ended and during 2010 the balance in the trapping account amounting to \$378,249 was transferred to the County, the holder of the residual certificate.

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, 2010, none of the 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 Master Settlement Agreement (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 adjustments, 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.

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, 2010, 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, 2010, the most recent actuarial valuation date, the Other Post Employment Benefits ("OPEB") plan was unfunded, resulting in an unfunded accrued liability of \$47,324,305 for the County and \$7,182,165 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 the Plan:

	<u>County</u>	<u>Nursing Facility</u>
Annual required contribution	\$ 4,155,138	\$ 587,331
Interest on net OPEB obligation	242,387	21,543
Adjustment to annual required contribution	<u>(336,953)</u>	<u>(29,948)</u>
Annual OPEB cost (expense)	4,060,572	578,926
Contributions made	<u>(1,453,560)</u>	<u>(331,398)</u>
Increase in OPEB obligation - net	2,607,012	247,528
Net OPEB obligation - beginning	<u>4,452,691</u>	<u>538,572</u>
Net OPEB obligation - ending	<u>\$ 7,059,703</u>	<u>\$ 786,100</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 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	12/31/2010	\$ 4,060,572	35.8%	\$ 7,059,703
Nursing Facility	12/31/2010	\$ 578,926	57.2%	\$ 786,100

Note 22. Future Implementations of GASB Pronouncements

The GASB has issued the following statements:

- Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions. Effective for the periods beginning after June 15, 2010.
- Statement No. 61 The Financial Reporting Entity: Omnibus. Effective for periods beginning after June 15, 2012.

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 - The excess of expenditures over the modified budget in general government support was due primarily to distributions of PILOT payments to other governments. The actual transportation expenditures were greater than the budgeted expenditures because of additional expenditures for mass transit to claim available additional state finding. The excess of actual expenditures over budget in employee benefits was primarily due to \$800,000 in additional health insurance expense.

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, 2010

	Original Adopted Budget	Final Amended Budget	Actual Results	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Real property taxes	\$ 25,797,145	\$ 25,797,145	\$ 26,161,386	\$ 364,241
Real property tax items	1,614,834	2,591,016	3,306,632	715,616
Non property tax items	53,085,663	56,325,316	58,928,866	2,603,550
Department income	13,535,304	13,854,363	19,362,061	5,507,698
Federal aid	20,976,994	22,517,529	23,233,625	716,096
State aid	22,684,804	23,154,660	22,180,916	(973,744)
Intergovernmental charges	2,301,211	2,385,611	5,962,423	3,576,812
Use of money and property	1,523,326	1,523,326	156,944	(1,366,382)
Sale of property and compensation for loss	1,139,974	1,139,974	1,198,392	58,418
Licenses and permits	12,000	12,000	14,126	2,126
Fines and forfeitures	342,466	342,466	266,627	(75,839)
Miscellaneous local sources	8,480,177	8,406,923	3,688,021	(4,718,902)
Total revenues	<u>151,493,898</u>	<u>158,050,329</u>	<u>164,460,019</u>	<u>6,409,690</u>
Expenditures				
General government support	29,312,460	32,874,349	32,973,434	(99,085)
Education	5,300,000	5,300,000	5,192,602	107,398
Public safety	13,207,633	13,631,482	12,658,895	972,587
Health	11,166,570	11,309,428	10,588,925	720,503
Transportation	4,429,786	4,428,247	4,705,061	(276,814)
Economic assistance	62,884,294	63,416,104	59,545,122	3,870,982
Culture and recreation	2,107,722	2,177,722	1,941,323	236,399
Home and community services	1,204,832	2,003,304	1,802,120	201,184
Employee benefits	12,458,668	12,627,310	13,570,850	(943,540)
Debt service	4,878,313	4,878,313	4,849,934	28,379
Total expenditures	<u>146,950,278</u>	<u>152,646,259</u>	<u>147,828,266</u>	<u>4,817,993</u>
Excess of Revenues Over Expenditures	<u>4,543,620</u>	<u>5,404,070</u>	<u>16,631,753</u>	<u>11,227,683</u>
Other Financing Sources (Uses)				
Operating transfers out	(4,543,620)	(4,436,089)	(4,945,185)	(509,096)
Total other financing sources (uses) - net	<u>(4,543,620)</u>	<u>(4,436,089)</u>	<u>(4,945,185)</u>	<u>(509,096)</u>
Excess of Revenues Over Expenditures and Other Uses	<u>\$ -</u>	<u>\$ 967,981</u>	<u>11,686,568</u>	<u>\$ 10,718,587</u>
Fund Balances - Beginning			<u>11,492,858</u>	
Fund Balances - Ending			<u>\$ 23,179,426</u>	

COUNTY OF CHEMUNG - STATE OF NEW YORK
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2010

<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, Administration	10.561		\$ 1,306,963
Food Stamps Program, Administration - ARRA	10.561		172,825
New York State Department of Health:			
Eat Well Play Hard	10.551		64,515
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		<u>2,276,825</u>
Total U.S. Department of Agriculture			<u>3,821,128</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		799,788
Foster Care - Title IV-E	93.658		1,718,878
Foster Care - Title IV-E - ARRA	93.658		104,011
Adoption Assistance	93.659		898,334
Adoption Assistance - ARRA	93.659		83,254
Child Support Enforcement	93.563		650,309
Child Support Enforcement - ARRA	93.563		143,210
Home Energy Assistance Program	93.568		5,150,379
Child Care and Development Block Grant	93.575		3,643,397
Child Care and Development Block Grant - ARRA	93.713		291,457
Chafee Foster Care Independent Living	93.674		39,212
Medical Assistance Program	93.778		2,083,015
Adoption Incentive Payments	93.603		317,452
Temporary Assistance for Needy Families Block Grant	93.558		<u>5,131,406</u>
			<u>21,054,102</u>
New York State Department of Health:			
Immunization Grant	93.268		30,381
Immunization Grant - ARRA	93.712		15,032
Public Health Preparedness	93.283		47,245
Obesity Capacity Building Initiative	93.991		33,999
Maternal and Child Health Service Block Grant	93.994		<u>37,964</u>
			<u>164,621</u>
New York State Office of Mental Health:			
Federal Medicaid Administrative Salary Sharing	93.778		<u>487,463</u>
New York State Office for the Aging:			
Aging - Title III, Part B	93.044		138,100
Aging - Title III, Part C	93.045		188,025
Aging - Title III, Part D	93.043		6,181
Aging - Title III, Part E	93.052		37,327
Aging - Title VII	93.042		32,590
Aging - WRAP	93.568		40,413
Aging - HIICAP	93.779		38,527
Aging - HEAP	93.568		65,187
Aging - Nutrition Incentive Program	93.053		52,051
Medicare Improvements for Patients and Providers Act	93.071		<u>9,633</u>
			<u>608,034</u>
Total U.S. Department of Health and Human Services			<u>22,314,220</u>

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, 2010

U.S. Department of Labor

Pass through from:

New York State Office for the Aging:

Senior Community Service Employment Program	17.235	<u>18,460</u>
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U.S. Department of Transportation

Direct Programs:

Airport Improvement Program	20.106	3,723,185
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Highway Planning and Construction	20.205	325,410
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Highway Planning and Construction - ARRA	20.205	910,086
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Federal Transit Capital Investment Grants	20.507	827,731
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Federal Transit Capital Investment Grants - ARRA	20.507	<u>240,191</u>
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		<u>6,026,603</u>
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Pass through from:

New York State Department of Transportation:

Federal Transit - Formula Grant	20.505	298,484
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Operation Assistance	20.509	131,462
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Job Access Reverse Commute	20.516	<u>37,353</u>
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		<u>467,299</u>
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Total U.S. Department of Transportation

		<u>6,493,902</u>
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U.S. Department of Homeland Security

Direct Programs:

Hazard Mitigation Grant	97.039	17,477
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Emergency Management Assistance	97.042	34,175
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Homeland Security Grant	97.067	98,871
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Urban Areas Security Initiative	97.090	<u>105,572</u>
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Total U.S. Department of Homeland Security

		<u>256,095</u>
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U.S. Department of Housing and Urban Development

Direct Program:

CDBG Small Cities Program	14.228	<u>742,000</u>
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U.S. Department of Justice

Direct Program:

State Criminal Alien Assistance Program	16.606	5,131
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Juvenile Mentoring Program	16.726	<u>26,634</u>
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U.S. Department of Justice

		<u>31,765</u>
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U.S. Environmental Protection Agency

Pass through from:

New York State Department of Health:

Source Water Assessment	66.468	<u>79,322</u>
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U.S. Department of Education

Pass through from:

New York State Department of Health:

Early Intervention Administration	84.181	78,117
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Early Intervention Administration - ARRA	84.393	15,825
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Fiscal Stabilization Funds	84.397	<u>287,719</u>
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Total U.S. Department of Education

		<u>381,661</u>
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Total Expenditures of Federal Awards

		<u>\$ 34,138,553</u>
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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, 2010

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. 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>
Community Development Block Grant Small Cities Program	14.228	\$ 735,623
Job Access Reverse Commute	20.516	\$ 37,353
Federal Transit - Formula Grant	20.505	\$ 154,979
Federal Transit Capital Investment Grants	20.507	\$ 1,067,922
Operation Assistance	20.509	\$ 131,462



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, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 16, 2011. 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 August 16, 2011.

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
Corning, New York
August 16, 2011



REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 County of Chemung - State of New York's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2010. 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, the County of Chemung - State of New York, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

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 to determine the 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 in 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. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2010-1. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The County of Chemung - State of New York's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County of Chemung - State of New York's response and, accordingly, we express no opinion on it.

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
Corning, New York
August 16, 2011

COUNTY OF CHEMUNG - STATE OF NEW YORK
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2010

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>
Social Services Block Grant	93.667
Fiscal Stabilization Funds	84.397
Temporary Assistance for Needy Families Block Grant	93.558
Airport Improvement Program	20.106
Highway Planning & Construction	20.205
Highway Planning & Construction - ARRA	20.205
Federal Transit Capital Investment Grants	20.507
Federal Transit Capital Investment Grants - ARRA	20.507

7. The threshold for distinguishing Types A and B programs was \$1,024,157.
8. The County of Chemung was determined to be a low-risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

NONE

COUNTY OF CHEMUNG - STATE OF NEW YORK
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2010

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

FINDING 2010-1

Department of Health and Human Services, Temporary Assistance for Needy Families (TANF) Block Grant - CFDA No. 93.558

Condition and Criteria: As part of the internal control procedures established by the County, file review by a supervisor is required for all files opened by levels below senior examiner to verify all necessary actions were taken and documentation was received. A random sample of 40 cases for all active TANF cases were selected for testing. Our testing revealed twenty case files in which review was required but not completed. However, none of these cases resulted in instances of noncompliance with the requirements of the grant.

Effect: Twenty case files were not reviewed in accordance with the internal control procedures established by the County.

Cause: The Department of Social Services did not follow established County procedures relating to review and approval of case files.

Auditor's Recommendation: We recommend that the Department of Social Services implement and monitor policies and procedures to ensure that case files are reviewed. We noted in April 2011, a policy and procedure was implemented by the County to ensure this review is completed.

Management Response: *Chemung County has a State approved case review process for supervisory review of TANF cases that includes: all Temporary Assistance openings and recertifications, 5 denials and 2 under care transactions per examiner monthly. In March 2011, it was identified that this standard was not being followed and an action plan was implemented effective April 18, 2011. The action plan includes supervision and review by the principle welfare examiners on the status of senior social welfare examiners' review queues on a weekly basis to ensure compliance. If and/or when it is identified that a senior social welfare examiner is not meeting compliance requirements the appropriate head social welfare examiner will be addressing this with the senior social welfare examiner per the agency's progressive discipline policy.*