

CHEMUNG COUNTY NEW YORK

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT



FOR THE YEAR ENDED DECEMBER 31, 2003

**Joseph E. Sartori CPA
County Treasurer**

**Joseph F. Cost CPA
Deputy County Treasurer**

COUNTY OF CHEMUNG - STATE OF NEW YORK
TABLE OF CONTENTS
DECEMBER 31, 2003

	PAGE
Independent Auditors' Report on Financial Statements.....	1
Management's Discussion and Analysis.....	3 - 8
<u>FINANCIAL STATEMENTS</u>	
Statement of Net Assets.....	9
Statement of Activities.....	10
Balance Sheet-Governmental Funds.....	11
Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities.....	12
Statement of Revenues, Expenditures and Changes in Fund Equity-Governmental Funds.....	13
Reconciliation of The Statement of Revenues, Expenditures and Changes in Fund Equity for Governmental Funds to the Statement of Activities for Governmental Activities.....	14
Statement of Net Assets Proprietary Fund.....	15
Statement of Activities Proprietary Fund.....	16
Statement of Cash Flows Proprietary Fund.....	17
Statement of Fiduciary Net Assets.....	18
Combining Statement of Net Assets for Internal Service Funds.....	19
Combining Statement of Activities for Internal Service Funds.....	20
Combining Statement of Cash Flows for Internal Service Funds.....	21
Combining Statement of Net Assets for Governmental-Type Component Units.....	22
Combining Statement of Activities for Governmental-Type Component Units.....	23
Notes to The Basic Financial Statements.....	24 - 43
<u>REQUIRED SUPPLEMENTAL INFORMATION</u>	
Schedule of Revenue, Expenditures and Changes in Fund Balance - General Fund - Budget to Actual.....	44



150 Lake Street PO Box 287
Elmira, New York 14902-0287
607 734-1636
(fax) 607 734-8813

www.cnwd.com

5 E. Market Street
Suite 401
Corning, New York 14830-2642
607 962-6891

267 South Main Street
Mansfield, PA 16933
570 662-7868

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Chemung, State of New York, as of and for the year ended December 31, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the County of Chemung, State of New York (the County). Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Chemung County Nursing Facility, an enterprise fund of the County. We did not audit the financial statements of the Chemung County Transit System, which is accounted for as a department of the General Fund of the County. We did not audit the financial statements of the Steele Memorial Library, a component unit of the County, which represents eighty-seven percent of the assets of the combined component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Chemung County Nursing Facility, the Chemung County Transit System, and the Steele Memorial Library, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic 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, 2003, 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 November 8, 2004, on our consideration of County of Chemung, State of New York's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

~~The management's discussion and analysis and budgetary comparison information on pages 3 through 8, and 44,~~
are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Carnegie Miles Whitney + Davis, P.C.

Elmira, New York
November 8, 2004

**CHEMUNG COUNTY- STATE OF NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003**

INTRODUCTION

Our discussion and analysis of Chemung County's (the County) financial performance provides an overview of the County's financial activities for the fiscal year ended December 31, 2003. It also provides a description and understanding of the various financial statements and other financial and statistical information contained herein. Please read it in conjunction with the County's basic financial statements.

FINANCIAL HIGHLIGHTS

- The County's net assets on the government-wide statements total \$28,592,957 an increase of \$3,353,384 from 2002 when the balance was 25,239,573. The entire balance is invested in capital assets or restricted for other uses.
- The governmental "Current Ratio", which is an indicator of liquidity, is 1.01 and .99 as of December 31, 2003 and 2002 respectively.
- Governmental activities increased the County's net assets by \$2,289,140 or 9.80 % in 2003 compared with a decrease of 3.69% in 2002.
- Operating Grants and aid were 31.39% of the total governmental revenue.
- Business type net assets increased \$1,064,244 or 56.33%.

COMPONENTS OF THE ANNUAL REPORT

This annual report contains a series of financial statements, notes and other required supplemental information. The Statement of Net Assets and the Statement of Activities on pages 8 and 9 are the government-wide financial statements and are intended to provide information about the County as a whole. These statements provide a long-term view of the County's finances in a manner similar to private sector companies. The fund financial statements starting on page 10 report the County's operations in more detail and in a more traditional manner. These statements illustrate how services were financed, for the most significant funds, in the short term as well as what remains for future spending. The notes to the financial statements contain information required to properly interpret the information in the financial statements and are therefore an integral part of this report.

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

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

Net assets are classified into three components as follows:

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

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

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

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

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.

**CHEMUNG COUNTY- STATE OF NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003**

COMPONENTS OF THE ANNUAL REPORT (Continued)

GOVERNMENTAL FUND FINANCIAL STATEMENTS (Continued):

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

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

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

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

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

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

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

OTHER FINANCIAL INFORMATION:

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

Some of the major differences illustrated in the reconciliation are:

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

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

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

**CHEMUNG COUNTY- STATE OF NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003**

**COMPONENTS OF THE ANNUAL REPORT (Continued)
OTHER FINANCIAL INFORMATION (continued):**

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

SUMMARY COMPARISON OF NET ASSETS

	GOVERNMENTAL ACTIVITIES			BUSINESS TYPE ACTIVITIES		
	2003	2002	CHANGE	2003	2002	CHANGE
ASSETS						
Current and other assets	\$ 47,256,690	\$ 41,193,949	\$ 6,062,741	\$ 3,680,988	\$ 2,652,022	\$ 1,028,966
Capital assets, net	70,340,862	69,301,215	1,039,647	1,709,172	1,761,322	(52,150)
TOTAL ASSETS	\$ 117,597,552	\$ 110,495,164	\$ 7,102,388	\$ 5,390,160	\$ 4,413,344	\$ 976,816
LIABILITIES						
Current liabilities	\$ 46,971,997	\$ 43,083,926	\$ 3,888,071	\$ 1,067,404	\$ 1,298,968	\$ (231,564)
Long-term liabilities	44,986,097	44,060,920	925,177	1,369,257	1,225,121	144,136
TOTAL LIABILITIES	91,958,094	87,144,846	4,813,248	2,436,661	2,524,089	(87,428)
NET ASSETS						
Invested in capital assets, net of debt	31,266,270	31,059,886	206,384	1,108,738	1,166,842	(58,104)
Restricted	3,572,574	1,895,940	1,676,634	-	-	-
Unrestricted	(9,199,386)	(9,605,508)	406,122	1,844,761	722,413	1,122,348
TOTAL NET ASSETS	25,639,458	23,350,318	2,289,140	2,953,499	1,889,255	1,064,244
TOTAL LIABILITIES AND NET ASSETS	\$ 117,597,552	\$ 110,495,164	\$ 7,102,388	\$ 5,390,160	\$ 4,413,344	\$ 976,816

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

SUMMARY COMPARISON OF ACTIVITIES

	GOVERNMENTAL ACTIVITIES			BUSINESS TYPE ACTIVITIES		
	2003	2002	CHANGE	2003	2002	CHANGE
REVENUE						
Program revenue:						
Charges for services	\$ 25,863,802	\$ 19,575,550	\$ 6,288,252	\$ 13,981,650	\$ 12,292,804	\$ 1,688,846
Operating grants and contributions	41,916,330	37,451,606	4,464,724	-	-	-
Capital grants and contributions	5,118,368	6,465,131	(1,346,763)	-	-	-
General revenues:						
Property taxes	22,082,255	22,540,093	(457,838)	-	-	-
Other taxes	29,975,148	23,114,167	6,860,981	-	-	-
Other revenue	8,563,790	10,658,294	(2,094,504)	1,224,732	2,039,619	(814,887)
TOTAL REVENUE	133,519,693	119,804,841	13,714,852	15,206,382	14,332,423	873,959
EXPENSES						
General government	9,493,875	12,829,381	(3,335,506)	-	-	-
Public safety	13,028,185	12,288,058	740,127	-	-	-
Transportation	13,151,556	7,529,264	5,622,292	-	-	-
Health	9,238,478	8,583,019	655,459	14,142,138	14,136,442	5,696
Economic assistance and opportunity	66,766,617	61,351,764	5,414,853	-	-	-
Culture and recreation	3,543,294	3,695,739	(152,445)	-	-	-
Education	3,422,510	4,753,482	(1,330,972)	-	-	-
Home and community services	10,130,413	7,427,885	2,702,528	-	-	-
Interest expense	2,455,625	2,306,194	149,431	-	-	-
TOTAL EXPENSES	131,230,553	120,764,786	10,465,767	14,142,138	14,136,442	5,696
Change in net assets	2,289,140	(959,945)	3,249,085	1,064,244	195,981	868,263
Net Assets-Beginning	23,350,318	24,310,263	(959,945)	1,889,255	1,693,274	195,981
Net Assets-Ending	\$ 25,639,458	\$ 23,350,318	\$ 2,289,140	\$ 2,953,499	\$ 1,889,255	\$ 1,064,244

**CHEMUNG COUNTY- STATE OF NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003**

SUMMARY COMPARISON OF ACTIVITIES (continued)

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

FACTORS AFFECTING OVERALL FINANCIAL POSITION

Governmental Activities-During 2003 governmental activities resulted in an overall increase of net assets of \$2,289,139 which represents a 8.97% increase. The County receives revenues from varying sources. Major funding sources and their relationship to total revenue for the year are as follows:

FUNDING SOURCE	2003	2002	INCREASE (DECREASE)
	PERCENTAGE OF REVENUE	PERCENTAGE OF REVENUE	
State and Federal aid	36.49%	37.62%	-1.13%
Property tax and related items	18.30%	20.41%	-2.11%
Non property tax items	22.08%	18.70%	3.38%
Departmental income	13.46%	9.55%	3.91%
Other	9.67%	13.72%	-4.05%
Total	<u>100.00%</u>	<u>100.00%</u>	<u>0.00%</u>

There was no increase in real property tax in 2003. There was a 14% property tax increase included in the 2004 adopted budget. The County shared the local share of sales tax with the city, towns and villages within the county. The County retained 62.5% of the total and the other municipalities received 37.5%.

There was a significant increase in economic assistance and opportunity costs in 2003. The overall increase is primarily due to increased participation in public assistance programs resulting from the overall economic recession. The large increase in the Safety Net Program continues because of the federal welfare reform which, in 1996, stipulated that a person could receive a lifetime benefit of no more than 60 months of Federal temporary assistance. After 60 months these individuals are converted to Safety Net which is a program funded by the State and local governments. In November of 2001 the first individuals reached the 60 month limitation and in 2002 and 2003 many more people were converted to Safety Net.

Public assistance payments for 2003 and 2002 were as follows:

PROGRAM	2003	2002	DIFFERENCE	PERCENTAGE CHANGE
Temporary Assistance	\$ 4,500,423	\$ 3,804,954	\$ 695,469	18.28%
Safety Net	2,251,269	1,648,058	603,211	36.60%
Medicaid	19,212,935	17,471,845	1,741,090	9.97%
Children services	10,379,627	9,207,901	1,171,726	12.73%

The sizeable growth in these programs resulted in a significant negative budget variance in these programs for the year. This variance is illustrated in the accompanying Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget to Actual-General Fund. If this level of growth continues it will put a substantial strain on the overall financial health of the County.

Business Type Activities-During 2003 the Chemung County Nursing Facility (the Facility) had an overall increase in net assets of \$1,064,244 which represents an 56.33% increase. The Facility receives 91% of its revenue from patient services which were up \$652,683 or 5.3% over 2002. The increase was due primarily to increased private pay fees and greater Medicare and Medicaid reimbursement. Included in the charges for patient services are funds the Facility receives as part of additional Medicaid funding through the Inter Governmental Transfer Program. This program is being phased-out due to changes in Federal regulations. The facility received \$1,036,163 in 2003 which was down \$190,825 or 15.55% from 2002. The program will be completely phased-out by 2006. The elimination of this program will have an impact on the future profitability of the Facility.

**CHEMUNG COUNTY- STATE OF NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003**

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

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

Proprietary Fund-The Chemung County Nursing Facility is the County's only proprietary fund. At December 31, 2003 the Nursing Facility had an unreserved net fund balance of \$2,953,499 available for use in future periods.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets-The County's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of December 31, 2003 was \$72,050,034 which represents an increase of \$987,496 over 2002. The investment in capital assets includes land, land improvements, buildings, building improvements, furniture, equipment, vehicles, infrastructure and construction in progress. Infrastructure, which includes highways, bridges and sewers only represents those assertions completed in 2002 and 2003. A complete reporting of infrastructure is not required until 2005.

Major capital additions included significant highway and road work as well as repaving of airport runways. The County also purchased several new heavy duty trucks for the highway department.

Long-Term Debt-The County had a total general obligation bonds payable of \$39,164,976 as of December 31, 2003. The overall long-term debt was increased \$869,633 from the balance of \$38,295,343 as of December 31, 2002. The County borrowed \$4,869,155 in 2003 for various capital projects.

In 2000 the County defeased certain general obligations by placing the proceeds from the Series 2000 Tobacco Securitization in an irrevocable trust held in escrow by Manufactures and Traders Trust Company. The County securitized 40% of it's share of the tobacco settlement. Escrow payments will be made in satisfaction of bond payments through 2003. In 2003 the escrow agent made payments of \$811,445

ECONOMIC OUTLOOK AND FUTURE BUDGETS

The local economy has been hampered by layoffs and downsizing of many businesses. Though there has been some new industry in the past few years and a growth in retail business the overall economy has been down. Increases in public assistance rolls and near stagnant sales tax collections will combine to put tremendous pressure on County resources. The 2004 budget contains considerable expenditure reductions including personnel as well as increases in some fees and property taxes. These measures cannot continue in the long-term. Significant economic recovery as well as mandate relief will be necessary for the long-term fiscal health of Chemung County.

GENERAL FUND BUDGET MODIFICATIONS

Budgeted appropriations were increased by \$3,396,634 from the original adopted budget. The budgetary changes are summarized as follows:

	BUDGET		
	ORIGINAL	MODIFIED	CHANGE
General government	\$ 10,076,482	\$ 10,383,717	\$ 307,235
Public safety	14,984,898	15,482,576	497,678
Transportation	5,497,968	5,519,315	21,347
Health	9,582,022	9,960,805	398,783
Economic assistance and opportunity	65,785,776	67,545,305	1,759,529
Culture and recreation	2,102,730	2,405,216	302,486
Education	3,475,000	3,475,000	-
Home and community services	1,538,411	1,647,987	109,576
Debt service	487,808	487,808	-
	<u>\$ 113,511,095</u>	<u>\$ 116,907,729</u>	<u>\$ 3,396,634</u>

**CHEMUNG COUNTY- STATE OF NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003**

GENERAL FUND BUDGET MODIFICATIONS (continued)

- Public safety appropriations were increased due to overtime in the County Jail and an Emergency Management grant received in 2003.
- Health appropriations were increased as a result of increased funding from the Office of Mental Health and the Office of Alcohol and Substance Abuse Services.
- Appropriations for economic assistance and opportunity was increased primarily for increases in temporary assistance, safety net, day care and foster care.

GENERAL FUND FINAL BUDGET COMPARED TO ACTUAL EXPENDITURES

Actual expenditures were \$9,612,367 less than the final budget. The budget to actual fluctuations are summarized below:

	MODIFIED BUDGET	ACTUAL EXPENDITURES	VARIANCE
General government	\$ 10,383,717	\$ 8,950,043	\$ (1,433,674)
Public safety	15,482,576	12,413,636	(3,068,940)
Transportation	5,519,315	4,416,640	(1,102,675)
Health	9,960,805	9,073,510	(887,295)
Economic assistance and opportunity	67,545,305	66,055,309	(1,489,996)
Culture and recreation	2,405,216	1,588,956	(816,260)
Education	3,475,000	3,422,510	(52,490)
Home and community services	1,647,987	877,057	(770,930)
Debt service	487,808	497,701	9,893
	<u>\$ 116,907,729</u>	<u>\$ 107,295,362</u>	<u>\$ (9,612,367)</u>

- Actual expenditures were less than final budgeted numbers in most categories primarily as a result of reduced wages and employee benefits due to a reduction in staffing during 2003.

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 25 of these financial statements.

COUNTY OF CHEMUNG - STATE OF NEW YORK
STATEMENT OF NET ASSETS
DECEMBER 31, 2003

	PRIMARY GOVERNMENT			COMPONENT UNITS		
	GOVERNMENTAL ACTIVITIES	BUSINESS ACTIVITIES	TOTAL	GOVERNMENTAL ACTIVITIES	INDUSTRIAL DEVELOP. AGENCY	BUSINESS ACTIVITIES
ASSETS						
CURRENT ASSETS						
Cash	\$ 19,537,253	\$ 10,900	\$ 19,548,153	\$ 459,188	\$ -	\$ 141,501
Accounts receivable	6,160,449	3,523,452	9,683,901	-	-	54,282
Grant receivable	-	-	-	-	-	140,819
Taxes receivable	7,035,625	-	7,035,625	2,081	-	-
Receivable from external parties	-	-	-	-	-	-
State and federal receivables	13,284,983	-	13,284,983	-	-	-
Due from other funds	1,238,380	5,659	1,244,039	-	-	-
Prepaid expenses	-	65,766	65,766	-	-	-
Current portion of loans receivable	-	-	-	-	-	2,595
Inventory of supplies, at cost	-	75,211	75,211	-	-	709,568
TOTAL CURRENT ASSETS	47,256,690	3,680,988	50,937,678	461,269	-	1,048,765
NON-CURRENT ASSETS						
Certificates of deposit	-	-	-	115,287	-	-
Investments	-	-	-	1,665,156	-	-
Loans receivable, net of current portion	-	-	-	-	-	1,544,849
Capital assets	-	-	-	-	-	-
Non-depreciable capital assets	16,122,938	48,287	16,171,225	-	-	521,611
Net depreciable capital assets	54,217,924	1,660,885	55,878,809	-	-	284,651
TOTAL NON-CURRENT ASSETS	70,340,862	1,709,172	72,050,034	1,780,443	-	2,351,111
TOTAL ASSETS	\$ 117,597,552	\$ 5,390,160	\$ 122,987,712	\$ 2,241,712	\$ -	\$ 3,399,876
LIABILITIES						
CURRENT LIABILITIES						
Accounts payable	\$ 9,405,627	\$ 301,515	\$ 9,707,142	\$ 56,760	\$ -	\$ 112,461
Accrued liabilities	6,530,062	16,968	6,547,030	-	-	-
Accrued compensation	791,945	702,492	1,494,437	-	-	-
Accrued interest	1,061,926	-	1,061,926	-	-	-
Current portion, general obligation bonds payable	4,228,305	46,429	4,274,734	-	-	156,010
Bond anticipation notes payable	181,678	-	181,678	-	-	-
Revenue anticipation notes	18,000,000	-	18,000,000	-	-	-
Due to other governments	2,586,360	-	2,586,360	-	-	-
Deferred revenue	4,074,449	-	4,074,449	-	-	-
Other liabilities	111,645	-	111,645	-	-	715
TOTAL CURRENT LIABILITIES	46,971,997	1,067,404	48,039,401	56,760	-	289,186
NON-CURRENT LIABILITIES						
Accrued compensated absences	2,013,367	815,252	2,828,639	-	-	-
Accrued landfill closure/post closure	7,861,473	-	7,861,473	-	-	-
Notes and bonds payable	34,336,237	554,005	34,890,242	-	-	1,218,803
Other liabilities	775,000	-	775,000	-	-	-
TOTAL NON-CURRENT LIABILITIES	44,986,097	1,369,257	46,355,354	-	-	1,218,803
TOTAL LIABILITIES	91,958,094	2,436,661	94,394,755	56,760	-	1,487,989
NET ASSETS						
Invested in capital assets, net of related debt	31,266,270	1,108,738	32,375,008	-	-	806,262
Restricted for:						
Capital improvements	3,572,574	-	3,572,574	-	-	-
Unrestricted	(9,199,386)	1,844,761	(7,354,625)	2,184,952	-	1,105,625
TOTAL NET ASSETS	25,639,458	2,953,499	28,592,957	2,184,952	-	1,911,887
TOTAL LIABILITIES AND NET ASSETS	\$ 117,597,552	\$ 5,390,160	\$ 122,987,712	\$ 2,241,712	\$ -	\$ 3,399,876

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, 2003

FUNCTIONS / PROGRAMS	PROGRAM REVENUES			CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL	COMPONENT UNITS	
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS					GOVERNMENTAL COMPONENT UNITS	BUSINESS ACTIVITIES IDA
GOVERNMENTAL ACTIVITIES									
General government support	\$ 9,493,875	\$ 9,742,917	\$ 976,015	\$ -	\$ 1,225,057	\$ -	\$ 1,225,057	\$ -	\$ -
Public safety	13,028,185	1,152,877	894,028	-	(10,981,280)	-	(10,981,280)	-	-
Transportation	13,151,556	2,071,361	-	5,118,368	(5,961,827)	-	(5,961,827)	-	-
Health	9,238,478	3,081,860	5,824,308	-	(332,310)	-	(332,310)	-	-
Economic assistance and opportunity	66,766,617	2,758,421	33,719,682	-	(30,288,514)	-	(30,288,514)	-	-
Culture and recreation	3,543,294	634,646	293,714	-	(2,614,934)	-	(2,614,934)	-	-
Education	3,422,510	6,421,720	208,583	-	(3,422,510)	-	(3,422,510)	-	-
Home and community services	10,130,413	-	-	-	(3,500,110)	-	(3,500,110)	-	-
Interest expense on long-term debt	2,455,625	-	-	-	(2,455,625)	-	(2,455,625)	-	-
TOTAL GOVERNMENTAL ACTIVITIES	131,230,553	25,863,802	41,916,330	5,118,368	(58,332,053)	-	(58,332,053)	-	-
BUSINESS TYPE ACTIVITIES									
Chemung County Nursing Facility	14,142,138	13,981,650	-	-	-	(160,488)	(160,488)	-	-
TOTAL BUSINESS TYPE ACTIVITIES	14,142,138	13,981,650	-	-	-	(160,488)	(160,488)	-	-
TOTAL PRIMARY GOVERNMENT	\$ 145,372,691	\$ 39,845,452	\$ 41,916,330	\$ 5,118,368	(58,332,053)	(160,488)	(58,492,541)	(120,482)	(452,397)
COMPONENT UNITS									
Industrial Development Agency	\$ 682,831	\$ -	\$ 230,434	\$ -	-	-	-	-	-
Combined Governmental-Type Activities	3,105,881	74,741	2,910,658	-	-	-	-	-	-
TOTAL COMPONENT UNITS	\$ 3,788,712	\$ 74,741	\$ 3,141,092	\$ -	-	-	(120,482)	(120,482)	(452,397)
GENERAL REVENUES:									
TAXES									
Real property tax					22,082,255		22,082,255		
Real property tax items					1,505,568		1,505,568		
Non-property tax items					28,469,580		28,469,580		
OTHER									
Interest and earnings					426,501		426,501	57,574	64,820
Rental of real property, equipment and books					924,275		924,275	27,344	-
Gain on disposition of assets					1,407,887		1,407,887	-	-
Miscellaneous sources					5,805,127		5,805,127	-	-
Intergovernmental transfers					-	967,681	967,681	-	-
Fines and fees					-	-	-	33,318	-
Bad debt collections					-	-	-	-	-
Other revenue					-	257,051	257,051	254,494	-
TOTAL GENERAL REVENUES					60,621,193	1,224,732	61,845,925	372,730	64,820
CHANGES IN NET ASSETS									
Net Assets-Beginning of Year					2,289,140	1,064,244	3,353,384	252,248	(387,577)
Net Assets-End of Year					23,350,318	1,889,255	25,239,573	1,932,704	2,299,464
Net Assets-End of Year					\$ 25,639,458	\$ 2,953,499	\$ 28,592,957	\$ 2,184,952	\$ 1,911,887

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

COUNTY OF CHEMUNG - STATE OF NEW YORK
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2003

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>			
CURRENT ASSETS			
Cash	\$ 9,142,775	\$ 9,568,766	\$ 18,711,541
Accounts receivable	2,927,728	1,074,155	4,001,883
Taxes receivable	7,035,625	-	7,035,625
Due from other funds	5,999,701	9,561,046	15,560,747
State and federal receivables	12,803,887	474,305	13,278,192
TOTAL ASSETS	\$ 37,909,716	\$ 20,678,272	\$ 58,587,988
<u>LIABILITIES AND FUND EQUITY</u>			
LIABILITIES			
Accounts payable	\$ 1,806,588	\$ 4,168,879	\$ 5,975,467
Accrued liabilities	3,624,346	260,636	3,884,982
Other liabilities	-	111,645	111,645
Revenue and bond anticipation notes	18,000,000	181,678	18,181,678
Due to other governments	2,073,915	2,396	2,076,311
Due to other funds	9,284,166	8,903,697	18,187,863
Deferred revenue	4,074,449	-	4,074,449
TOTAL LIABILITIES	38,863,464	13,628,931	52,492,395
FUND EQUITY			
Reserved fund balance			
Special purposes	2,471,140	-	2,471,140
Capital projects	-	3,572,574	3,572,574
Unreserved-designated fund balance	4,614,859	-	4,614,859
Unreserved-undesignated fund balance	(8,039,747)	-	(8,039,747)
Unreserved-undesignated fund balance - reported in:			
Special revenue funds	-	2,461,077	2,461,077
Debt Service	-	1,015,690	1,015,690
TOTAL FUND BALANCE	(953,748)	7,049,341	6,095,593
TOTAL LIABILITIES AND FUND EQUITY	\$ 37,909,716	\$ 20,678,272	\$ 58,587,988

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

COUNTY OF CHEMUNG - STATE OF NEW YORK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Real property taxes	\$ 19,101,697	\$ 2,980,558	\$ 22,082,255
Real property tax items	1,505,568	-	1,505,568
Non-property taxes	28,469,580	-	28,469,580
Departmental income	10,901,022	6,451,720	17,352,742
Federal aid	22,681,319	1,578,722	24,260,041
State aid	21,132,431	1,642,226	22,774,657
Intergovernmental revenue	4,007,876	112,378	4,120,254
Use of money and property	497,396	795,368	1,292,764
Sale of property and compensation for loss	1,088,717	327,040	1,415,757
Licenses and permits	4,543	11,500	16,043
Fines and forfeitures	237,430	-	237,430
Miscellaneous revenue	5,059,576	320,551	5,380,127
TOTAL REVENUE	114,687,155	14,220,063	128,907,218
EXPENDITURES			
General government	8,950,043	16,746	8,966,789
Public safety	12,413,636	164,236	12,577,872
Transportation	4,416,640	9,137,437	13,554,077
Health	9,073,510	-	9,073,510
Economic assistance and opportunity	66,055,309	-	66,055,309
Culture and recreation	1,588,956	1,780,886	3,369,842
Education	3,422,510	-	3,422,510
Home and community services	877,057	8,007,530	8,884,587
Debt service	497,701	5,978,093	6,475,794
TOTAL EXPENDITURES	107,295,362	25,084,928	132,380,290
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	7,391,793	(10,864,865)	(3,473,072)
OTHER FINANCING SOURCES (USES)			
Proceeds from obligations	-	4,813,155	4,813,155
Operating transfers in	166,140	10,962,053	11,128,193
Operating Transfers out	(9,121,092)	(2,007,101)	(11,128,193)
TOTAL OTHER FINANCING SOURCES (USES)	(8,954,952)	13,768,107	4,813,155
EXCESS (DEFICIT) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(1,563,159)	2,903,242	1,340,083
FUND EQUITY-BEGINNING OF YEAR	609,411	4,146,099	4,755,510
FUND EQUITY-END OF YEAR	\$ (953,748)	\$ 7,049,341	\$ 6,095,593

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, 2003

Total Governmental Fund Balance \$ 6,095,593

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

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

Land	\$ 15,445,466	
Land improvements	62,142	
Infrastructure	7,305,668	
Buildings and improvements	53,039,708	
Furniture, Vehicles and Equipment	21,980,693	
Construction in progress	677,472	
TOTAL CAPITAL ASSETS	98,511,149	
Less: Accumulated Depreciation	(28,170,287)	70,340,862

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

Accrued compensated absences	(2,805,332)	
Accrued Group Health Liability	(775,000)	
Installment debt due to other government	(510,049)	
Accrued landfill closure/post-closure	(7,861,473)	
Accrued interest payable	(1,061,926)	
General obligation bonds payable	(38,564,542)	(51,578,322)

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	653,779	
Self-Insurance Fund	\$ 127,546	781,325

Net Assets of Governmental Activities \$ 25,639,458

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

COUNTY OF CHEMUNG - STATE OF NEW YORK
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND EQUITY
FOR GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003

Net Change in Fund Equity-Total Governmental Funds \$ 1,340,083

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

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

Capital expenditures	3,797,441	
Depreciation expense	(2,749,925)	1,047,516

Governmental funds report only the proceeds received from the disposal of assets. In the statement of activities, a gain or loss is reported for each disposal. This is the loss on the disposal of fixed assets: (7,869)

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

Compensated absences payable	470,025	
Group Health Liability	225,000	
Due to other government	22,951	
Landfill closure/post-closure	(348,126)	369,850

Receipt of bond proceeds is a revenue in the governmental funds, but the receipt increases the liabilities in the Statement of Net Assets (4,813,155)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets 3,956,942

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. 332,546

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding obligations on the statement of activities 63,227

Changes in Net Assets of Governmental Activities \$ 2,289,140

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

COUNTY OF CHEMUNG - STATE OF NEW YORK
STATEMENT OF ACTIVITIES
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	ENTERPRISE NURSING FACILITY	INTERNAL SERVICE FUNDS
OPERATING REVENUES		
Charges for services	\$ 12,945,487	\$ 11,943,421
Other revenue	1,293,214	425,000
TOTAL OPERATING REVENUE	14,238,701	12,368,421
OPERATING EXPENSES		
Personal services	6,594,693	-
Employee benefits	2,695,604	11,198,079
Contractual expenses	4,245,890	-
Depreciation	233,051	-
Indirect expense	217,000	-
Workers' compensation benefits	126,492	895,808
TOTAL OPERATING EXPENSES	14,112,730	12,093,887
OPERATING INCOME	125,971	274,534
NON-OPERATING REVENUE (EXPENSES)		
Intergovernmental transfer payment	967,681	-
Investment Income	-	58,012
Interest expense	(29,408)	-
TOTAL NON-OPERATING REVENUE (EXPENSES)	938,273	58,012
CHANGES IN NET ASSETS	1,064,244	332,546
Net Assets-Beginning of Year	1,889,255	448,779
Net Assets-End of Year	\$ 2,953,499	\$ 781,325

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, 2003

	ENTERPRISE FUND NURSING FACILITY	INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from services	\$ 11,776,491	\$ 11,501,215
Receipts from state agency	1,036,163	-
Payments for workers' compensation benefits	-	(465,854)
Payments to suppliers and contractors for goods and services	(4,612,674)	-
Payments to employees for services and benefits	(9,214,827)	(10,692,661)
Other receipts	251,392	425,000
	<u>(763,455)</u>	<u>767,700</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfers from other funds	967,681	-
	<u>967,681</u>	<u>-</u>
NET CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income and earnings	-	58,012
	<u>-</u>	<u>58,012</u>
NET CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase and construction of capital assets	(180,901)	-
Proceeds from issuance of bonds	56,000	-
Payment of bond and bond anticipation note principal	(50,046)	-
Payment of bond and bond anticipation note Interest	(29,279)	-
	<u>(204,226)</u>	<u>-</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES		
Net Increase in Cash and Cash Equivalents	-	825,712
Cash and cash equivalents-beginning of year	10,900	-
Cash and Cash Equivalents-End of Year	<u>\$ 10,900</u>	<u>\$ 825,712</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED BY) OPERATING ACTIVITIES		
Operating Income	\$ 125,971	\$ 274,534
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	233,051	-
Changes in Assets and Liabilities:		
Patient accounts receivable	(982,538)	-
Accounts receivable	-	(411,446)
Inventory	24,997	-
State and federal receivables	-	(760)
Due from other funds	(5,659)	(30,000)
Prepaid expenses	(65,766)	-
Accounts payable	(63,110)	423,800
Accrued compensation and related liabilities	156,057	-
Due to other funds	-	30,000
Accrued liabilities	-	481,572
Third party payor settlements, net	(186,458)	-
Net Cash Used in Operating Activities	<u>\$ (763,455)</u>	<u>\$ 767,700</u>

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

COUNTY OF CHEMUNG - STATE OF NEW YORK
STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS
DECEMBER 31, 2003

	<u>ASSETS</u>	<u>AGENCY</u>
CURRENT ASSETS		
Cash and cash equivalents		\$ 3,152,581
Due from other funds		1,337,666
Accounts receivable		<u>113,954</u>
TOTAL ASSETS		<u>\$ 4,604,201</u>
	<u>LIABILITIES</u>	
Due to other funds		\$ 2,581,705
Due to other governments		33,950
Other Liabilities		<u>1,988,546</u>
TOTAL LIABILITIES		<u>\$ 4,604,201</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, 2003

	<u>WORKERS'</u> <u>COMPENSATION</u>	<u>SELF</u> <u>INSURANCE</u> <u>FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
CURRENT ASSETS			
Cash	\$ 107,657	\$ 718,055	\$ 825,712
Accounts receivable	2,068,432	90,134	2,158,566
State and federal receivables	-	6,791	6,791
Due from other funds	576,155	3,319,341	3,895,496
	<u>2,752,244</u>	<u>4,134,321</u>	<u>6,886,565</u>
TOTAL CURRENT ASSETS			
	<u>2,752,244</u>	<u>4,134,321</u>	<u>6,886,565</u>
TOTAL ASSETS	<u>\$ 2,752,244</u>	<u>\$ 4,134,321</u>	<u>\$ 6,886,565</u>
<u>LIABILITIES</u>			
CURRENT LIABILITIES			
Accounts payable	\$ 33	\$ 3,430,127	\$ 3,430,160
Accrued liabilities	2,068,432	576,648	2,645,080
Due to other funds	30,000	-	30,000
	<u>2,098,465</u>	<u>4,006,775</u>	<u>6,105,240</u>
TOTAL CURRENT LIABILITIES			
	<u>2,098,465</u>	<u>4,006,775</u>	<u>6,105,240</u>
TOTAL LIABILITIES	<u>2,098,465</u>	<u>4,006,775</u>	<u>6,105,240</u>
<u>NET ASSETS</u>			
Unrestricted	<u>653,779</u>	<u>127,546</u>	<u>781,325</u>
TOTAL NET ASSETS	<u>653,779</u>	<u>127,546</u>	<u>781,325</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,752,244</u>	<u>\$ 4,134,321</u>	<u>\$ 6,886,565</u>

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

COUNTY OF CHEMUNG - STATE OF NEW YORK
COMBINING STATEMENT OF ACTIVITIES
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>WORKERS' COMPENSATION</u>	<u>SELF INSURANCE FUND</u>	<u>TOTAL</u>
OPERATING REVENUES			
Charges for services	\$ 551,950	\$ 11,391,471	\$ 11,943,421
Other revenue	425,000	-	425,000
TOTAL OPERATING REVENUE	<u>976,950</u>	<u>11,391,471</u>	<u>12,368,421</u>
OPERATING EXPENSES			
Employee health benefits	-	11,198,079	11,198,079
Workers' compensation benefits	895,808	-	895,808
TOTAL OPERATING EXPENSES	<u>895,808</u>	<u>11,198,079</u>	<u>12,093,887</u>
OPERATING INCOME	81,142	193,392	274,534
NON-OPERATING REVENUE			
Investment Income	58,012	-	58,012
TOTAL NON-OPERATING REVENUE (EXPENSES)	<u>58,012</u>	<u>-</u>	<u>58,012</u>
CHANGES IN NET ASSETS	139,154	193,392	332,546
Net Assets-Beginning of Year	514,625	(65,846)	448,779
Net Assets-End of Year	<u>\$ 653,779</u>	<u>\$ 127,546</u>	<u>\$ 781,325</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, 2003

	WORKERS' COMPENSATION	SELF INSURANCE FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from services	\$ 90,499	\$ 11,410,716	\$ 11,501,215
Payments for workers' compensation benefits	(465,854)	-	(465,854)
Payments to employees for services and benefits	-	(10,692,661)	(10,692,661)
Other receipts	425,000	-	425,000
NET CASH PROVIDED BY OPERATING ACTIVITIES	49,645	718,055	767,700
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income and earnings	58,012	-	58,012
NET CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	58,012	-	58,012
Net Increase in Cash and Cash Equivalents	107,657	718,055	825,712
Cash and cash equivalents-beginning of year	-	-	-
Cash and Cash Equivalents-End of Year	\$ 107,657	\$ 718,055	\$ 825,712
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED BY OPERATING ACTIVITIES)			
Operating income	\$ 81,142	\$ 193,392	274,534
Changes in Assets and Liabilities:			
Accounts receivable	(431,451)	20,005	(411,446)
Due from other funds	(30,000)	-	(30,000)
State and federal receivables	-	(760)	(760)
Due to other funds	30,000	-	30,000
Accounts payable	(31,497)	455,297	423,800
Accrued liabilities	431,451	50,121	481,572
Net Cash Provided by Operating Activities	\$ 49,645	\$ 718,055	\$ 767,700

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

COUNTY OF CHEMUNG - STATE OF NEW YORK
COMBINING STATEMENT OF NET ASSETS
GOVERNMENTAL TYPE COMPONENT UNITS
DECEMBER 31, 2003

	<u>STEELE MEMORIAL LIBRARY</u>	<u>SOIL & WATER CONSERVATION DISTRICT</u>	<u>TOTAL</u>
<u>ASSETS</u>			
CURRENT ASSETS			
Cash	\$ 175,159	\$ 284,029	\$ 459,188
Grants receivable	2,081	-	2,081
TOTAL CURRENT ASSETS	177,240	284,029	461,269
NON-CURRENT ASSETS			
Certificates of deposit	115,287	-	115,287
Investments	1,665,156	-	1,665,156
TOTAL NON-CURRENT ASSETS	1,780,443	-	1,780,443
TOTAL ASSETS	<u>\$ 1,957,683</u>	<u>\$ 284,029</u>	<u>\$ 2,241,712</u>
<u>LIABILITIES</u>			
CURRENT LIABILITIES			
Accounts payable	\$ 56,760	-	\$ 56,760
TOTAL CURRENT LIABILITIES	56,760	-	56,760
TOTAL LIABILITIES	56,760	-	56,760
<u>NET ASSETS</u>			
Unrestricted	1,900,923	284,029	2,184,952
TOTAL NET ASSETS	1,900,923	284,029	2,184,952
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,957,683</u>	<u>\$ 284,029</u>	<u>\$ 2,241,712</u>

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

STATE OF WILMINGTON - STATE OF NEW YORK
COMBINING STATEMENT OF ACTIVITIES
GOVERNMENTAL TYPE COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2002

	PROGRAM REVENUES		
	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
EXPENSES			
\$ 2,538,689	\$ 25,479	\$ 2,495,384	\$ -
567,192	49,262	415,274	-
<u>\$ 3,105,881</u>	<u>\$ 74,741</u>	<u>\$ 2,910,658</u>	<u>\$ -</u>

FUNCTIONS / PROGRAMS

GOVERNMENTAL ACTIVITIES

Steele Memorial Library
 Soil and Water Conservation District

TOTAL COMPONENT UNITS

	STEELE MEMORIAL LIBRARY	SOIL & WATER CONSERVATION DISTRICT	TOTAL
(17,826)	-	(17,826)	(17,826)
(17,826)	(102,656)	(102,656)	(102,656)
			(120,482)
54,636	2,938		57,574
25,499	1,845		27,344
-	-		-
33,318	-		33,318
-	-		-
148,587	105,907		254,494
<u>262,040</u>	<u>110,690</u>		<u>372,730</u>
244,214	8,034		252,248
1,656,709	275,995		1,932,704
<u>\$ 1,900,923</u>	<u>\$ 284,029</u>		<u>\$ 2,184,952</u>

GENERAL REVENUES:

Interest and earnings
 Rental of equipment and books
 Gain on disposition of assets
 Fines and fees
 Bad debt collections
 Other revenue

TOTAL GENERAL REVENUES

CHANGES IN NET ASSETS

Net Assets-Beginning of Year

Net Assets-End of Year

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



CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL REPORTING ENTITY

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

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

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

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

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

Chemung County Soil and Water Conservation District (the District) is a County-wide district created by the County Legislature to provide for the control and conservation of soil and water resources. Members of the board of directors are appointed by the County Legislature. These directors have sole control of the management and operation of the district. The County provides a portion of the district's funding. The County's subsidy for 2003 was \$135,000. The District is considered a component unit and is discretely presented. The Soil and Water Conservation District uses the current financial resources measurement focus and modified accrual accounting.

Steele Memorial Library (the Library) was created to provide free library services to area residents. The County owns the main library building but operations are managed by the Board of Trustees of the Library. Library employees are considered County employees for employee benefit purposes. The County contributed support of \$1,503,048 in 2003. The Library is a component unit and uses the accrual basis of accounting.

CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

BASIS OF PRESENTATION

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

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

Government-Wide Financial Statements

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

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

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

CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

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

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

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

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

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

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

MEASUREMENT FOCUS/BASIS OF ACCOUNTING

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

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

CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 of 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.

ESTIMATES

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

CASH AND CASH EQUIVALENTS

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

INVESTMENT POLICY

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

INTERFUND RECEIVABLES AND PAYABLES

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

**CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INTERFUND TRANSACTIONS

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

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

CAPITAL ASSETS

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

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

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

All infrastructure placed in service during 2002 and 2003 is included in the statement of net assets and depreciation expense is included in the statement of activities. The County has opted to delay the reporting of infrastructure from 1980 to 2001 until future years, as allowed under the provisions of GASB Statement No. 34.

ACCOUNTS PAYABLE, ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

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

CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

COMPENSATED ABSENCES

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

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

NET ASSETS

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

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

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

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

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

GOVERNMENTAL FUND BALANCE RESERVES

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

OPERATING REVENUES AND EXPENSES

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

PROPERTY TAXES

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

CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 subsequent year.

NOTE 2 COMPLIANCE AND ACCOUNTABILITY

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

NOTE 3 CASH DEPOSITS

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

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

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

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

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. |

CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 3 CASH DEPOSITS (continued)

At yearend, the carrying amount of the County's deposits was \$19,548,153 and the bank balance was \$13,355,956. Of the bank balance, the following were the bank balances according to risk categories:

	TOTAL	CATEGORY 1	CATEGORY 2	CATEGORY 3
Cash deposits	\$ 13,355,956	\$ 400,000	\$ 12,955,956	\$ -

NOTE 4 RECEIVABLES

Real property taxes receivable at December 31, 2003 were \$7,035,625. Included in the real property taxes receivable are returned city, village, and school taxes of \$2,203,352 which are offset by liabilities to the cities, villages, and school districts which will be paid no later than April 15, 2004. The remaining amount of tax receivables are offset by deferred tax revenue of \$4,025,321 and represents an estimate of tax liens, which will not be collected within the first sixty (60) days of the subsequent year. City, village, and school district taxes not collected by the respective entity have been or will be re-levied with the County tax levy the following year.

Other government-type activity receivables consist of funds claimed but not received from various state and federal sources of \$13,284,983 at December 31, 2003, as well as funds receivable for services rendered by departments such as the Airport, Solid Waste and the Sewer Districts of \$6,160,449 at December 31, 2003.

NOTE 5 RELATED PARTY TRANSACTIONS

During 2003 the county received land valued at \$497,108 from the Chemung County Industrial Development Agency (IDA, a component unit of the county). The transfer completed an agreement between the county and the IDA initiated in 2002.

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2003 was as follows:

	GOVERNMENTAL-TYPE ACTIVITIES			
	BALANCE 1/1/2003	ADDITIONS	DISPOSALS	BALANCE 12/31/2003
<u>Non-depreciable Capital Assets:</u>				
Construction in Progress	\$ 410,034	\$ 586,296	\$ (318,857)	\$ 677,473
Land	14,948,357	497,108	-	15,445,465
TOTAL NON-DEPRECIABLE CAPITAL ASSETS	15,358,391	1,083,404	(318,857)	16,122,938
<u>Depreciable Capital Assets:</u>				
Land Improvements	62,142	-	-	62,142
Buildings and building improvements	52,433,418	606,290	-	53,039,708
Infrastructure	6,295,822	1,009,846	-	7,305,668
Furniture, Equipment and Vehicles	20,705,859	1,416,758	(141,924)	21,980,693
TOTAL DEPRECIABLE CAPITAL ASSETS	79,497,241	3,032,894	(141,924)	82,388,211
<u>Less Accumulated Depreciation For:</u>				
Land Improvements	(31,474)	(1,766)	-	(33,240)
Buildings and building improvements	(12,932,199)	(820,458)	-	(13,752,657)
Infrastructure	(246,222)	(550,038)	-	(796,260)
Furniture, Equipment and Vehicles	(12,344,522)	(1,377,663)	134,055	(13,588,130)
TOTAL ACCUMULATED DEPRECIATION	(25,554,417)	(2,749,925)	134,055	(28,170,287)
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	\$ 69,301,215	\$ 1,366,373	\$ (326,726)	\$ 70,340,862

CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 6 CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

General government	\$	269,334
Public safety		407,983
Health		20,471
Transportation		1,208,945
Economic assistance and opportunity		78,824
Culture and recreation		90,100
Home and community services		674,268
TOTAL DEPRECIATION EXPENSE FOR GOVERNMENTAL ACTIVITIES	\$	2,749,925

BUSINESS-TYPE ACTIVITIES

	BALANCE 1/1/2003	ADDITIONS	DISPOSALS	BALANCE 12/31/2003
<u>Non-depreciable Capital Assets:</u>				
Land	\$ 48,287	\$ -	\$ -	\$ 48,287
TOTAL NON-DEPRECIABLE CAPITAL ASSETS	48,287	-	-	48,287
<u>Depreciable Capital Assets:</u>				
Land Improvements	306,998	-	-	306,998
Buildings and fixed equipment	6,195,475	159,215	-	6,354,690
Movable equipment	1,292,270	21,686	(17,187)	1,296,769
TOTAL DEPRECIABLE CAPITAL ASSETS	7,794,743	180,901	(17,187)	7,958,457
<u>Less Accumulated Depreciation For:</u>				
Land Improvements	(266,794)	(4,948)	-	(271,742)
Buildings and fixed equipment	(4,741,598)	(157,900)	-	(4,899,498)
Moveable equipment	(1,073,316)	(70,203)	17,187	(1,126,332)
TOTAL ACCUMULATED DEPRECIATION	(6,081,708)	(233,051)	17,187	(6,297,572)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	\$ 1,761,322	\$ (52,150)	\$ -	\$ 1,709,172

NOTE 7 PENSION PLAN

The County of Chemung participates in the New York State and Local Employees' Retirement System (ERS). This is a cost sharing multiple employer system that provides retirement benefits as well as death and disability benefits. The County's contribution for 2003 and the two preceding years was as follows:

	2003	2002	2001
General pension contribution	\$ 1,772,278	\$ 427,398	\$ 148,803
Contribution for early retirement incentive	507,299	430,055	542,263
Group-term life insurance contribution	407	407	(1,034)
Total Pension Contribution	\$ 2,279,984	\$ 857,860	\$ 690,032

CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 7 PENSION PLAN (continued)

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

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

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

YEAR	TOTAL LOCAL COST	2003 PAYMENT	APPLICABLE INTEREST RATE
1998	\$ 453,595	\$ 98,676	8.50%
1999	295,858	68,611	8.50%
2000	707,414	164,052	8.00%
2002	748,256	173,524	8.00%
Other	20,200	2,436	
	\$ 2,225,323	\$ 507,299	

NOTE 8 POST EMPLOYMENT BENEFITS

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

NOTE 9 DEFERRED COMPENSATION

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

The Small Business Job Protection Act of 1996 was signed into law on August 20, 1996. As a result of the new 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. No longer will plan assets be subject to claims of public entities' creditors during financial crisis.

CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 9 DEFERRED COMPENSATION (continued)

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

As of December 31, 2002, employee contributions to the plan totaled \$1,390,486, which is not displayed in the financial statements.

NOTE 10 RISK RETENTION

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and their survivors for which the County carries commercial insurance.

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

	Beginning of Fiscal Year Liability	Current Year Claims & Changes in Estimates (Net)	Claim Payments	Balance at Fiscal Year-End
2002	\$ 1,049,073	\$ 1,342,979	\$ (755,071)	\$ 1,636,981
2003	\$ 1,636,981	\$ 1,115,620	\$ (684,169)	\$ 2,068,432

NOTE 11 COMMITMENTS AND CONTINGENCIES

The County owns and operates a landfill site located in the southeast portion of the County. State and federal laws will require the County to close the landfill once the capacity is reached and to monitor and maintain the site for thirty subsequent years. The County recognizes a portion of the closure and post-closure care costs in each operating period, even though actual payouts will not occur until the landfill is closed. The amount recognized each year to date is based on the landfill capacity used as of the balance sheet date. As of December 31, 2003, 47% of the landfill capacity is used. The remaining estimated life is twenty-three years. The estimated cost of closure and post-closure care are subject to changes such as effects of inflation, revision of laws and other variables. During 2003 the county paid \$292,394 as part of the cover for two landfill cells.

The settlement of a lawsuit with a former health insurance carrier resulted in a \$1,500,000 settlement to be paid by the County beginning January 2003 and continue through January 2007. As of December 31, 2003 the outstanding balance on this liability was \$775,000.

NOTE 12 SHORT-TERM DEBT

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

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

CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 12 SHORT-TERM DEBT (continued)

Short-term debt outstanding at December 31, 2003 is as follows:

	Balance 12/31/2002	Additions	Reductions	Balance 12/31/2003
Governmental-Type Activities:				
Bond Anticipation Notes	\$ 20,366,400	\$ 18,181,678	\$ (20,366,400)	\$ 18,181,678
TOTAL	<u>20,366,400</u>	<u>18,181,678</u>	<u>(20,366,400)</u>	<u>18,181,678</u>
Business-Type Activities				
Bond Anticipation Notes	\$ 7,466	\$ -	\$ (7,466)	\$ -
TOTAL	<u>7,466</u>	<u>-</u>	<u>(7,466)</u>	<u>-</u>

Short-term debt at December 31, 2003 consists of \$18,000,000 revenue anticipation note used to pay current operating expenses prior to the collection of property taxes and a \$181,678 bond anticipation note used to fund various airport projects.

NOTE 13 LONG-TERM DEBT

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

Chemung County's constitutional debt limit for 2003, as defined by New York State Local Finance Law is \$182,926,178. The County's qualified debt for that period is \$39,164,976 or 21.41% of the constitutional debt limit.

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

	Balance 12/31/2002	Additions	Reductions	Balance 12/31/03	Amounts Due Within One Year
Governmental-Type Activities:					
General obligation bonds payable	\$ 37,708,329	\$ 4,813,155	\$ (3,956,942)	\$ 38,564,542	\$ 4,228,305
Compensated absences	3,275,357	369,443	(839,468)	2,805,332	791,945
Landfill closure/post-closure	7,513,347	640,520	(292,394)	7,861,473	-
Health ins. settlement liability	1,500,000	-	(725,000)	775,000	-
	<u>\$ 49,997,033</u>	<u>\$ 5,823,118</u>	<u>\$ (5,813,804)</u>	<u>\$ 50,006,347</u>	<u>\$ 5,020,250</u>
Business-Type Activities					
General obligation bonds payable	\$ 587,014	\$ 56,000	\$ (42,580)	\$ 600,434	\$ 46,429
Workers' Compensation	712,265	126,492	-	838,757	23,505
	<u>\$ 1,299,279</u>	<u>\$ 182,492</u>	<u>\$ (42,580)</u>	<u>\$ 1,439,191</u>	<u>\$ 69,934</u>

CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 13 LONG-TERM DEBT (continued)

Current year debt service payments and balances at December 31, 2003 are as follows:

BOND	2003		BALANCE AT DECEMBER 31, 2003		
	INTEREST PAYMENTS	PRINCIPAL PAYMENTS	TOTAL	GOVERNMENTAL TYPE ACTIVITIES	BUSINESS TYPE ACTIVITIES
Public Improvement Bond, 07/01/86- This bond has staggered maturities from 1987-2004. It carries a fixed interest rate of 7.6%. Interest payments are made twice annually. The bonding covers capital projects for the Sewer District, Solid Waste District and various General Fund Projects.	\$ 20,250	\$ 175,000	\$ 175,000	\$ 175,000	\$ -
Public Improvement Bond, 04/01/88- This bond has staggered maturities from 1989-2008. It carries an interest rate that starts at 7.0% and rises to 7.25%. Interest payments are made twice annually. The bonding covers capital projects and purchases for the Sewer District, Solid Waste District, Nursing Facility and various General Fund Projects.	119,625	300,000	1,500,000	1,500,000	-
Public Improvement Bond, 05/01/89- This bond has staggered maturities from 1990-2009. It carries an interest rate that starts at 7.0% and rises to 7.25%. Interest payments are made twice annually. The bonding covers capital projects and purchases for the Sewer District, Solid Waste District and various General Fund Projects.	41,506	175,000	485,000	485,000	-
Public Improvement Bond, 07/15/91- This bond has staggered maturities from 1992-2010. It carries an interest rate that starts at 6.75% and rises to 6.8%. Interest payments are made twice annually. The bonding covers capital projects and purchases for the Nursing Facility, Solid Waste District and various General Fund Projects.	272,000	550,000	3,450,000	3,450,000	-
Public Improvement Bond, 07/15/92- This bond has staggered maturities from 1993-2008. It carries an interest rate that starts at 5.2% and rises to 5.5%. Interest payments are made twice annually. The bonding covers capital projects and purchases for the Solid Waste District and various General Fund Projects.	91,350	325,000	1,525,000	1,525,000	-

**CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 13 LONG-TERM DEBT (continued)

BOND	2003		BALANCE AT DECEMBER 31, 2003		
	INTEREST PAYMENTS	PRINCIPAL PAYMENTS	TOTAL	GOVERNMENTAL TYPE ACTIVITIES	BUSINESS TYPE ACTIVITIES
Public Improvement Bond, 07/15/92- This bond has staggered maturities from 1993-2012. It carries an interest rate that starts at 5.4% and rises to 5.5%. Interest payments are made twice annually. The bonding covers capital projects and purchases for various General Fund Projects.	194,275	325,000	3,225,000	3,225,000	-
Public Improvement Bond, 07/20/93- This bond has staggered maturities from 1994-2008. It carries an interest rate that starts at 2.6% and rises to 5.1%. Interest payments are made twice annually. The bonding covers capital projects and purchases for various General Fund Projects.	42,085	160,000	770,000	770,000	-
Public Improvement Bond, 07/15/94- This bond has staggered maturities from 1995-2009. It carries an interest rate that starts at 4.8% and rises to 5.4%. Interest payments are made twice annually. The bonding covers capital projects and purchases for the Solid Waste District and various General Fund Projects.	75,525	500,000	1,200,000	1,200,000	-
Public Improvement Bond, 08/20/97- This bond has staggered maturities from 1998-2011. It carries an interest rate that starts at 4.75% and rises to 0.00%. Interest payments are made twice annually. The bonding covers capital projects and purchases for the Nursing Facility and various General Fund Projects.	209,050	553,851	6,160,823	5,845,988	314,835
Public Improvement Bond, 06/15/98- This bond has staggered maturities from 1999-2018. It carries an interest rate that starts at 4.5% and rises to 4.55%. Interest payments are made twice annually. The bonding covers capital projects and purchases for the Solid Waste District and various General Fund Projects.	156,857	375,000	3,290,000	3,290,000	-

**CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 13 LONG-TERM DEBT (continued)

BOND	2003		BALANCE AT DECEMBER 31, 2003		
	INTEREST PAYMENTS	PRINCIPAL PAYMENTS	TOTAL	GOVERNMENTAL TYPE ACTIVITIES	BUSINESS TYPE ACTIVITIES
Public Improvement Bond, 11/15/99- This bond has staggered maturities from 2000-2015. It carries an interest rate that starts at 5.1% and rises to 5.125%. Interest payments are made twice annually. The bonding covers capital projects and purchases for the Nursing Facility, Sewer District and various General Fund Projects.	278,960	305,001	5,199,998	5,082,697	117,301
Public Improvement Bond, 08/15/01- This bond has staggered maturities from 2002-2021. It carries an interest rate that starts at 4.5% and rises to 4.75%. Interest payments are made twice annually. The bonding covers capital projects and purchases for the Nursing Facility, Sewer District, Solid Waste District and various General Fund Projects.	157,125	115,000	3,310,000	3,197,702	112,298
Public Improvement Bond, 03/15/02- This bond has staggered maturities from 2003-2016. It carries an interest rate that starts at 4.25% and rises to 5.00%. Interest payments are made twice annually. The bonding covers capital projects and purchases for various General Fund Projects.	277,655	140,670	4,005,000	4,005,000	-
Public Improvement Bond, 08/15/03- This bond has staggered maturities from 2004-2021. It carries an interest rate that starts at 4.25% and rises to 4.60%. Interest payments are made twice annually. The bonding covers capital projects and purchases for various General Fund Projects.	-	-	4,869,155	4,813,155	56,000
Total Principal and Interest	<u>\$ 1,936,263</u>	<u>\$ 3,999,522</u>			
Total Bonds Payable			39,164,976	38,564,542	600,434
Less: Current Portion			4,274,734	4,228,305	46,429
TOTAL LONG-TERM DEBT			<u><u>\$ 34,890,242</u></u>	<u><u>\$ 34,336,237</u></u>	<u><u>\$ 554,005</u></u>

**CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 13 LONG-TERM DEBT (continued)

The annual aggregate maturities for outstanding indebtedness for the next five years are as follows:

	TOTAL		GOVERNMENTAL-TYPE ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2004	\$ 4,274,734	\$ 1,833,460	\$ 4,228,305	\$ 1,811,025	\$ 46,429	\$ 22,435
2005	3,918,599	1,597,148	3,870,135	1,577,360	48,464	19,788
2006	4,031,268	1,411,166	3,979,976	1,394,145	51,292	17,021
2007	4,078,571	1,126,152	4,024,637	1,112,166	53,934	13,986
2008	4,161,491	879,451	4,104,939	868,657	56,552	10,794
Thereafter	18,700,313	4,025,491	18,356,550	3,962,156	343,763	63,335
	<u>\$ 39,164,976</u>	<u>\$ 10,872,868</u>	<u>\$ 38,564,542</u>	<u>\$ 10,725,509</u>	<u>\$ 600,434</u>	<u>\$ 147,359</u>

NOTE 14 RESERVES

The County has the following reserve funds for the following purposes at December 31, 2003:

Governmental-Type Activities

General Fund

Reserve for tax stabilization	\$ 225,258
Employee Benefits	965,395
Retirement benefits	1,224,468
Other reserves	56,019
TOTAL	<u>2,471,140</u>

Non-major Governmental Funds

Reserve for capital projects	3,572,574
TOTAL	<u>3,572,574</u>

TOTAL GOVERNMENTAL-TYPE ACTIVITIES RESERVED FUND BALANCE	<u>\$ 6,043,714</u>
---	---------------------

NOTE 15 CHEMUNG COUNTY NURSING FACILITY - ENTERPRISE FUND

Summary of Significant Accounting Policies

Basis of reporting - The accompanying financial statements reflect the financial activity of the Chemung County Nursing Facility on the accrual basis of accounting. The Facility is a 200-bed skilled nursing facility funded primarily through Medicaid, Medicare, and private fees. The Facility is not a legal entity, but rather an enterprise fund within Chemung County, New York. The County has proprietary interest in all assets and the responsibility for all obligations of the Facility. The Facility's accounts are segregated into a separate enterprise fund. The Facility was audited by Mengel Metzger Barr & Co. LLP in 2003 and a copy of the complete audited financial statements may be obtained from the Chemung County Nursing Facility.

CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

Net patient service revenue - Net patient service revenue represents the estimated net realizable amounts from patients, third-party payers, and other services rendered. Patient accounts receivable are recorded net of contractual allowances. Revenue under third-party payer agreements is subject to audit and retroactive adjustment. Provisions for third-party payer settlements are provided in the period when the settlements are determinable.

Revenue from Medicaid and Medicare accounted for approximately 66% of the Facility's total revenue for the year ended December 31, 2003. 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.

Third-Party Reimbursement

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

Medicaid retroactive adjustments, which amounted to \$36,548 for the period July 2000 to December 31, 2003, were recorded as an increase in revenue for the year ended December 31, 2002. Additionally, Medicaid retroactive adjustments, which amounted to \$142,836 for the period September 2000 to June 31, 2002, were recorded as a reduction of revenue for the year ended December 31, 2002.

Reimbursement rate audit - During 2002, the New York State Department of Social Services (DSS) applied the findings from a previous reimbursement rate audit for the period January 1, 1983 to December 31, 1983 to the rate years 2000 and 2001. As a result, the Facility recorded a Medicaid overpayment of \$253,525 as a prior year rate and audit adjustment resulting in a decrease in revenue for the year ended December 31, 2002. A portion of this claim, \$186,458, was repaid through withholdings from future Medicaid remittances during 2003.

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

**CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

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

Employee and Retiree Benefits

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

The Facility makes pension payment to the New York State Employees' Retirement System based on the salaries of participating employees multiplied by the most recent rates available from New York State Employees' Retirement System ("the System") plus a calculation for early retirement incentives. The pension contribution for the year ended December 31, 2003 amounted to \$409,700.

The Facility provides health care benefits for retired employees through the County's health plan. Substantially all employees become eligible for these benefits if they qualify for retirement while working for the Facility. The costs of these benefits are expensed as claims are incurred and amounted to \$59,973 for December 31, 2003. The retired employees reimburse the Facility for a portion of these expenses and the reimbursed amount is allocated against this expense. At December 31, 2003, there were approximately 75 Facility retirees.

Workers' Compensation Benefits

Workers' Compensation benefits are provided by the Facility to their employees through the County's Self-insured programs. The cost of the benefits (net of reimbursement from New York State) for non-permanent disability are expensed as claims incurred and have been included as employee benefits expense in the accompanying statements of revenue and expenses. Certain Workers' Compensation cases have been ruled by the Workers' Compensation Board as permanent disability. Benefits for such claims are awarded for the life of the claimants and discharged only upon death or when the claimant returns to work full-time.

As December 31, 2003, nineteen 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, 2003, using the present value method, the Facility has recorded as estimated liability of \$838,757 for these lifetime benefits, assuming all claimants are paid to age 72. Accordingly, the provision has been presented in the financial statements of the Facility with the current portion of \$23,505 included in the current liabilities.

NOTE 16 INTERFUND BALANCES

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

All interfund balances are considered to be short-term. Interfund balances at December 31, 2003 consisted of the following:

DUE TO:	DUE FROM:				Total
	General Fund	Non-Major Governmental Funds	Internal Service	Agency Fund	
General Fund	\$ -	\$ 3,387,996	\$ 30,000	\$ 2,581,705	\$ 5,999,701
Non-Major Governmental Funds	4,454,362	5,106,684	-	-	9,561,046
Trust & Agency	928,649	409,017	-	-	1,337,666
Internal Service	3,895,496	-	-	-	3,895,496
Health Facility	5,659	-	-	-	5,659
	<u>\$ 9,284,166</u>	<u>\$ 8,903,697</u>	<u>\$ 30,000</u>	<u>\$ 2,581,705</u>	<u>\$ 20,799,568</u>

**CHEMUNG COUNTY- STATE OF NEW YORK
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 16 INTERFUND BALANCES (continued)

Transfers are used to:

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

NOTE 17 INTERFUND TRANSFERS

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

	TRANSFER IN:		
	General Fund	Non-Major Governmental Funds	Total
TRANSFER OUT:			
General Fund	\$ -	\$ 166,140	\$ 166,140
Non-Major Governmental Funds	9,121,092	1,840,961	10,962,053
	<u>\$ 9,121,092</u>	<u>\$ 2,007,101</u>	<u>\$ 11,128,193</u>

Transfers are used to:

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

NOTE 18 JOINT VENTURES

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

Southern Tier Central Regional Planning and Development Board - The Counties of Chemung, Steuben, and Schuyler are participants in the joint Southern Tier Central Regional Planning and Development Board. The municipal agreement provides that the participants' share of the cost shall be prorated as agreed upon by the member Counties. In 2003, the County of Chemung contributed \$75,650. As of December 31, 2003, there was no outstanding indebtedness. Audited financial statements may be obtained from the Administrative Offices of the Southern Tier Central Regional Planning Board located at 145 Village Square, Painted Post, New York 14870.

Community College Region - The Corning Community College is operated jointly with the Counties of Chemung, Steuben and Schuyler. The County of Chemung included approximately \$3.5 million in its 2003 real property tax levy to help finance the College's expenditures. In 2003, the County expended \$3,422,510 in residential tuition, which was based on capital and operating costs.

CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 18 JOINT VENTURES (continued)

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, 2003:

	<u>All Funds</u>
Total Assets	\$ 33,307,568
Total Liabilities	\$ 19,288,489
Net Assets	\$ 14,019,079
Total Revenues	\$ 33,041,052
Total Expenses	\$ 32,118,632

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

Tobacco Asset Securitization Corporation - 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 has incurred in treating smoking-related illnesses. Under an agreement reached with the tobacco industry referred to as the Master Settlement Agreement (MSA), the State and Counties are entitled to receive annual payments.

During 2000, the County sold its right to receive payments under the MSA to the Tobacco Asset Securitization Corporation (TASC) for \$7,004,322. The TASC is a related organization as described in GASB Statement No. 14, because while the County appoints the governing board of the TASC, the County is not responsible for the operations of the Corporation.

COUNTY OF CHEMUNG - STATE OF NEW YORK
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED DECEMBER 31, 2003

	ORIGINAL ADOPTED BUDGET	FINAL AMENDED BUDGET	ACTUAL RESULTS	VARIANCE
REVENUES				
Real property taxes	\$ 18,946,082	\$ 18,946,082	\$ 19,101,697	\$ 155,615
Real property tax Items	1,185,887	1,185,887	1,505,568	319,681
Non-property taxes	30,872,572	30,872,572	28,469,580	(2,402,992)
Departmental income	16,136,987	16,230,257	10,901,022	(5,329,235)
Federal aid	22,789,395	23,637,250	22,681,319	(955,931)
State aid	18,447,449	18,974,375	21,132,431	2,158,056
Intergovernmental revenue	3,873,030	3,873,030	4,007,876	134,846
Use of money and property	543,809	543,809	497,396	(46,413)
Sale of property and compensation for loss	968,816	1,005,531	1,088,717	83,186
Licenses and permits	5,000	5,000	4,543	(457)
Fines and forfeitures	268,779	268,779	237,430	(31,349)
Miscellaneous revenue	5,418,163	5,484,442	5,059,576	(424,866)
TOTAL REVENUE AND OTHER SOURCES	<u>119,455,969</u>	<u>121,027,014</u>	<u>114,687,155</u>	<u>(6,339,859)</u>
EXPENDITURES				
General government	10,076,482	10,383,717	8,950,043	1,433,674
Public safety	14,984,898	15,482,576	12,413,636	3,068,940
Transportation	5,497,968	5,519,315	4,416,640	1,102,675
Health	9,562,022	9,960,805	9,073,510	887,295
Economic assistance and opportunity	65,785,776	67,545,305	66,055,309	1,489,996
Culture and recreation	2,102,730	2,405,216	1,588,956	816,260
Education	3,475,000	3,475,000	3,422,510	52,490
Home and community services	1,538,411	1,647,987	877,057	770,930
Debt service	487,808	487,808	497,701	(9,893)
TOTAL EXPENDITURES AND OTHER USES	<u>113,511,095</u>	<u>116,907,729</u>	<u>107,295,362</u>	<u>9,612,367</u>
Excess (Deficiency) of Revenues Over Expenditures	5,944,874	4,119,285	7,391,793	3,272,508
OTHER FINANCING SOURCES (USES)				
Operating transfers in	225,000	225,000	166,140	(58,860)
Operating transfers out	(9,758,547)	(9,783,877)	(9,121,092)	662,785
TOTAL OTHER FINANCING USES	<u>(9,533,547)</u>	<u>(9,558,877)</u>	<u>(8,954,952)</u>	<u>603,925</u>
Excess (Deficiency) of Revenues & Other Sources Over Expenditures and Other Uses	<u>\$ (3,588,673)</u>	<u>\$ (5,439,592)</u>	(1,563,159)	<u>\$ 3,876,433</u>
FUND EQUITY - BEGINNING OF YEAR			<u>609,411</u>	
FUND EQUITY - END OF YEAR			<u>\$ (953,748)</u>	

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