

CHEMUNG COUNTY NEW YORK

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT



FOR THE YEAR ENDED DECEMBER 31, 2004

**Joseph E. Sartori CPA
County Treasurer**

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

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Chemung, State of New York, as of and for the year ended December 31, 2004, 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, 2004, 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 December 1, 2005, 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 9, and 46, are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Carnevale Niles Whitney + Davis, P.C.

Elmira, New York
December 1, 2005

**CHEMUNG COUNTY- STATE OF NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

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, 2004. 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 \$42,272,888 an increase of \$17,217,633 from 2003. The unrestricted net assets were \$3,678,996 the invested in capital net of related debt was \$42,824,327 and \$769,565 was restricted as of December 31, 2004.
- The governmental "Current Ratio", which is an indicator of liquidity, is 1.05 and 1.01 as of December 31, 2004 and 2003 respectively.
- Governmental activities increased the County's net assets by \$18,339,237 or 68.09 % in 2004 compared with an increase of 15.34% in 2003.
- Operating Grants and aid were 30.07% of the total governmental revenue.
- Business type net assets decreased \$1,121,605 or 35.92% from December 31, 2003 to December 31, 2004.
- The financial statements include a prior period adjustment to capital assets as well as the addition of the Chemung Tobacco Asset Securitization Corporation as a proprietary business type activity.

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, 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.

**CHEMUNG COUNTY- STATE OF NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

COMPONENTS OF THE ANNUAL REPORT (Continued)

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

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 inflow 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 and Library funds are summarized as non-major governmental funds. Health Insurance and Workers Compensation funds are internal service funds and activity between these funds and other governmental funds are eliminated in these financial statements.

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. The Chemung Tobacco Asset Securitization Corporation has been included as a proprietary business-type activity within these 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.

**CHEMUNG COUNTY- STATE OF NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

COMPONENTS OF THE ANNUAL REPORT (Continued)

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 whole and are therefore essential to gain an accurate understanding of the financial position and the results of the County operations.

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

ASSETS	GOVERNMENTAL ACTIVITIES			BUSINESS TYPE ACTIVITIES		
	2004	2003	CHANGE	2004	2003	CHANGE
Current and other assets	\$ 44,225,450	\$ 47,256,690	\$ (3,031,240)	\$ 9,723,469	\$ 10,373,923	\$ (650,454)
Capital assets, net	79,992,031	71,634,109	8,357,922	2,725,619	2,657,364	68,255
TOTAL ASSETS	\$ 124,217,481	\$ 118,890,799	\$ 5,326,682	\$ 12,449,088	\$ 13,031,287	\$ (582,199)
LIABILITIES						
Current liabilities	\$ 42,867,119	\$ 46,971,997	\$ (4,104,878)	\$ 1,510,767	\$ 1,076,612	\$ 434,155
Long-term liabilities	36,078,420	44,986,097	(8,907,677)	8,937,375	8,832,124	105,251
TOTAL LIABILITIES	78,945,539	91,958,094	(13,012,555)	10,448,142	9,908,736	539,406
NET ASSETS						
Invested in capital assets, net of debt	41,886,459	32,559,517	9,326,942	937,868	1,108,738	(170,870)
Restricted	508,003	3,572,574	(3,064,571)	261,562	169,052	92,510
Unrestricted	2,877,480	(9,199,386)	12,076,866	801,516	1,844,761	(1,043,245)
TOTAL NET ASSETS	45,271,942	26,932,705	18,339,237	2,000,946	3,122,551	(1,121,605)
TOTAL LIABILITIES AND NET ASSETS	\$ 124,217,481	\$ 118,890,799	\$ 5,326,682	\$ 12,449,088	\$ 13,031,287	\$ (582,199)

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.

**CHEMUNG COUNTY- STATE OF NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

SUMMARY COMPARISON OF ACTIVITIES

REVENUE	GOVERNMENTAL ACTIVITIES			BUSINESS TYPE ACTIVITIES		
	2004	2003	CHANGE	2004	2003	CHANGE
Program revenue:						
Charges for services	\$ 28,064,972	\$ 25,863,802	\$ 2,201,170	\$ 12,582,996	\$ 12,945,487	\$ (362,491)
Operating grants and contributions	44,040,971	41,916,330	2,124,641	-	-	-
Capital grants and contributions	<u>9,328,452</u>	<u>5,118,368</u>	<u>4,210,084</u>	-	-	-
General revenues:						
Property taxes	25,150,503	22,082,255	3,068,248	-	-	-
Other taxes	31,854,949	29,975,148	1,879,801	-	-	-
Other revenue	8,026,368	8,563,790	(537,422)	-	-	-
TOTAL REVENUE	<u>146,466,215</u>	<u>133,519,693</u>	<u>12,946,522</u>	<u>14,462,561</u>	<u>15,862,097</u>	<u>(1,454,044)</u>
EXPENSES						
General government	11,752,130	9,493,875	2,258,255	-	-	-
Public safety	15,056,364	13,028,185	2,028,179	-	-	-
Transportation	11,496,171	13,151,556	(1,655,385)	-	-	-
Health	9,046,409	9,238,478	(192,069)	-	-	-
Economic assistance and opportunity	69,103,150	66,766,617	2,336,533	14,646,055	14,343,586	302,469
Culture and recreation	3,557,031	3,543,294	13,737	-	-	-
Education	3,371,903	3,422,510	(50,607)	-	-	-
Home and community services	1,722,388	10,130,413	(8,408,025)	-	-	-
Interest expense	<u>3,021,432</u>	<u>2,455,625</u>	<u>565,807</u>	-	-	-
TOTAL EXPENSES	<u>128,126,978</u>	<u>131,230,553</u>	<u>(3,103,575)</u>	<u>15,167,182</u>	<u>14,866,717</u>	<u>300,445</u>
Change in net assets	18,339,237	2,289,140	16,050,097	(1,121,605)	995,380	(2,116,985)
Net Assets-Beginning	26,932,705	23,350,318	3,582,387	3,122,551	1,889,255	1,233,296
Prior Period Adjustments	-	1,293,247	(1,293,247)	-	237,916	(237,916)
Net Assets-Beginning, Restated	<u>26,932,705</u>	<u>24,643,565</u>	<u>2,289,140</u>	<u>3,122,551</u>	<u>2,127,171</u>	<u>995,380</u>
Net Assets-Ending	<u>\$ 45,271,942</u>	<u>\$ 26,932,705</u>	<u>\$ 18,339,237</u>	<u>\$ 2,000,946</u>	<u>\$ 3,122,551</u>	<u>\$ (1,121,605)</u>

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

FACTORS AFFECTING OVERALL FINANCIAL POSITION

Governmental Activities-During 2004 governmental activities resulted in an overall increase of net assets of \$19,097,913 which represents a 70.91% 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	2004	2003	INCREASE (DECREASE)
	PERCENTAGE OF REVENUE	PERCENTAGE OF REVENUE	
State and Federal aid	36.44%	35.23%	1.21%
Property tax and related items	18.29%	17.67%	0.62%
Non property tax items	20.63%	21.32%	-0.69%
Departmental income	14.65%	15.68%	-1.03%
Other	9.99%	10.10%	-0.11%
Total	<u>100.00%</u>	<u>100.00%</u>	<u>0.00%</u>

There was a 13.89% increase in real property tax in 2004 and a 6% increase in the 2005 budget. Sales tax revenues for 2004 was \$1,741,178 greater than in 2003. This represents a 6.1% increase over the prior year.

**CHEMUNG COUNTY- STATE OF NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

FACTORS AFFECTING OVERALL FINANCIAL POSITION (continued)

Economic assistance and opportunity costs increased \$1,577,857 or 2.4% in 2004 primarily as the result of increases in children services. These increases were caused by increases in preventive service programs such as Summer Cohesior Probation Diversion and the STAR program. Under the 2004/2005 New York State Budget these programs receive favorable state funding. As a result State funding increased by \$2,918,680 or 13.81%.

Overall public assistance payments for 2004 and 2003 were as follows:

PROGRAM	2004	2003	DIFFERENCE	PERCENTAGE CHANGE
Temporary Assistance	\$ 5,472,312	\$ 4,500,423	\$ 971,889	21.60%
Safety Net	2,785,919	2,251,269	534,650	23.75%
Medicaid	19,714,715	19,212,935	501,780	2.61%
Children services	14,355,189	10,379,627	3,975,562	38.30%

Despite the overall increases in public assistance programs Medicaid and temporary assistance payments moderated compared to increases in previous years. In its 2005/2006 budget New York State included further controls over the local share of Medicaid. These controls include a complete State takeover of the local share of the Family Health Plus program and a cap on overall local share. These changes will allow the county to budget much smaller increases in Medicaid costs compared to the 10% to 12% increases the county has experienced over the past several years.

Business Type Activities-Include the Chemung County Nursing Facility and the Chemung Tobacco Securitization Corporation. These entities have been audited separately and their audit reports are available through Chemung County.

Chemung County Nursing Facility-During 2004 the Chemung County Nursing Facility (the Facility) had an overall decrease in net assets of \$1,214,115 or 41.11%. The Facility receives 93.74% of its revenue from patient services which were down \$362,491 or 2.8% over 2003. The decrease was due primarily to reductions in patient bed days. Included in operating revenue are funds the Facility receives as part of additional Medicaid funding through the Inter Governmental Transfer Program. This program has been significantly curtailed due to changes in Federal regulations which was also a factor in the overall decrease. The facility received \$490,051 in 2004 which was down \$546,112 or 152.7% from 2003.

Chemung Tobacco Securitization Corporation-Is a blended component unit of the County of Chemung. It is a local development corporation created in October 2000 under Section 1411 of the New York State Not-for -Profit Corporation Law. The corporation was formed to raise funds, through the issuance of bonds, and use those funds to acquire the rights to future proceeds from a settlement agreement between various states and tobacco companies. The corporation will remain in existence until the bonds are paid and funds are distributed.

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, 2004 the Nursing Facility had an unreserved net fund balance of \$1,739,384 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, 2004 was \$82,717,650 which represents an increase of \$10,667,616 over 2003. 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 projects completed in 2002, 2003 and 2004. A complete reporting of infrastructure is not required until 2005.

**CHEMUNG COUNTY- STATE OF NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

ECONOMIC OUTLOOK AND FUTURE BUDGETS

Major capital additions included significant highway and road work as well as repaving of airport runways. The County also purchased several new buses for the transit system.

Long-Term Debt-The County had a total general obligation bonds payable of \$38,387,270 as of December 31, 2004. The overall long-term debt was decreased \$777,706 from the balance of \$39,164,976 as of December 31, 2003. The County borrowed \$4,675,000 in 2004 for various capital projects.

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

MT Picture Display Corp. closed its operation in Chemung County in 2004 which resulted in the loss of 800 jobs. Despite this set-back there continue to be positive developments in the manufacturing sector of the economy. Synthes opened its new state-of-the-art facility in 2005 and plans to increase its workforce from 150 to 300 people in the near future. Schweizer Aircraft Corp. was purchased by Sikorsky Aircraft, a United Technologies company, and has committed to a total plant renovation. Sikorsky plans to increase its workforce by 100-120 employees to build helicopters and drone aircraft under various military contracts. Finally, X-Gen Pharmaceuticals plans to build a \$20 million state-of-the-art drug manufacturing facility that will employ 50-75 people.

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

It is anticipated that the additional lease revenue combined with Medicaid cost containment will allow the county to stabilize its financial position.

GENERAL FUND BUDGET MODIFICATIONS

Budgeted appropriations were increased by \$5,392,027 from the original adopted budget. The budgetary changes are summarized as follows:

	BUDGET		
	ORIGINAL	MODIFIED	CHANGE
General government	\$ 10,389,408	11,113,727	\$ 724,319
Public safety	12,967,255	13,279,363	312,108
Transportation	4,818,378	4,442,007	(376,371)
Health	9,186,151	9,890,000	703,849
Economic assistance and opportunity	67,962,931	71,777,420	3,814,489
Culture and recreation	1,449,569	1,677,333	227,764
Education	3,449,833	3,449,833	-
Home and community services	741,497	727,366	(14,131)
Debt service	1,497,381	1,497,381	-
	<u>\$ 112,462,403</u>	<u>\$ 117,854,430</u>	<u>\$ 5,392,027</u>

GENERAL FUND BUDGET MODIFICATIONS (continued)

- Public safety appropriations were increased due to overtime in the County Jail.
- Appropriations for economic assistance and opportunity was increased as a result in changes in funding methodology for preventive programming.

**CHEMUNG COUNTY- STATE OF NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

GENERAL FUND FINAL BUDGET COMPARED TO ACTUAL EXPENDITURES

Actual expenditures were \$6,087,962 less than the final budget. The budget to actual fluctuations are summarized below:

	MODIFIED BUDGET	ACTUAL EXPENDITURES	FAVORABLE (UNFAVORABLE) VARIANCE
General government	\$ 11,113,727	\$ 9,879,031	\$ 1,234,696
Public safety	13,279,363	13,743,977	(464,614)
Transportation	4,442,007	4,487,427	(45,420)
Health	9,890,000	9,172,928	717,072
Economic assistance and opportunity	71,777,420	68,412,533	3,364,887
Culture and recreation	1,677,333	1,621,565	55,768
Education	3,449,833	3,371,903	77,930
Home and community services	727,366	780,299	(52,933)
Debt service	1,497,381	5,273,161	(3,775,780)
	<u>\$ 117,854,430</u>	<u>\$ 116,742,824</u>	<u>\$ 1,111,606</u>

- Actual expenditures were less than final budgeted numbers in most categories primarily due to significant cost savings in employee health insurance and reductions in social welfare payments.

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, 2004**

	PRIMARY GOVERNMENT			COMPONENT UNITS		
	GOVERNMENTAL ACTIVITIES	BUSINESS ACTIVITIES	TOTAL	GOVERNMENTAL ACTIVITIES	BUSINESS ACTIVITIES	INDUSTRIAL DEVELOP. AGENCY
CURRENT ASSETS						
Cash	\$ 17,156,194	\$ 638,281	\$ 17,794,475	\$ -	\$ -	\$ 122,466
Accounts receivable	5,780,635	2,154,327	7,934,962	-	-	18,719
Grant receivable	-	-	-	2,095	-	478,786
Taxes receivable	8,806,454	-	8,806,454	-	-	-
Receivable from external parties	814,507	6,537,321	7,346,828	-	-	-
State and federal receivables	13,827,836	-	13,827,836	-	-	-
Internal balances	(286,160)	266,160	-	-	-	-
Prepaid expenses	-	64,759	64,759	-	-	30
Current portion of loans receivable	-	-	-	-	-	710,614
Inventory of supplies at cost	-	82,835	82,835	-	-	-
TOTAL CURRENT ASSETS	44,226,760	9,725,489	53,948,919	483,983	1,328,397	1,328,397
NON-CURRENT ASSETS						
Ordinances of report	-	-	-	468,214	-	-
Investments	-	-	-	1,728,522	-	-
Land receivable, net of current portion	-	750,297	750,297	-	1,296,447	-
Real estate receivable	-	-	-	-	250,000	-
Repealed card	-	235,706	235,706	-	-	-
Unamortized bond issuance costs	-	-	-	-	-	-
Capital assets	17,168,629	48,287	17,217,616	-	-	521,611
Non-depreciable capital assets	82,622,622	1,661,329	84,503,631	-	-	123,874
Net depreciable capital assets	79,992,031	2,725,619	82,717,650	2,186,736	-	2,131,937
TOTAL NON-CURRENT ASSETS	124,217,481	12,449,088	136,666,569	2,666,719	3,460,529	3,460,529
TOTAL ASSETS	\$ 124,217,481	\$ 12,449,088	\$ 136,666,569	\$ 2,666,719	\$ 3,460,529	\$ 3,460,529
LIABILITIES						
CURRENT LIABILITIES						
Accounts payable	\$ 3,483,628	\$ 593,361	\$ 4,048,889	\$ 56,990	\$ -	\$ 193,306
Accounts billable	8,313,664	789,088	8,515,664	-	-	-
Accrued compensation	1,771,299	-	1,771,299	-	-	-
Accrued interest	1,422,585	58,277	1,480,862	-	-	154,710
Accounts receivable	4,005,683	-	4,005,683	-	-	-
General obligation bonds payable	328,523	-	328,523	-	-	-
Bond and note payable	19,000,000	-	19,000,000	-	-	-
Revenue anticipation notes	2,583,747	68,514	2,652,261	-	-	-
Due to other governments	4,069,020	-	4,069,020	-	-	-
Deferred revenue	-	21,527	21,527	-	-	-
Other liabilities	-	-	-	-	-	-
TOTAL CURRENT LIABILITIES	42,887,119	1,510,767	44,377,886	56,990	346,016	346,016
NON-CURRENT LIABILITIES						
Accrued compensated absences	1,960,591	873,892	2,834,473	-	-	-
Notes and bonds payable	33,492,829	8,063,493	41,656,322	-	-	1,172,883
Other liabilities	525,000	-	525,000	-	-	-
TOTAL NON-CURRENT LIABILITIES	36,078,420	8,937,375	45,015,795	56,990	1,172,883	1,172,883
TOTAL LIABILITIES	78,945,539	10,448,142	89,393,681	113,980	1,518,900	1,518,900
NET ASSETS						
Invested in Capital assets, net of related debt	41,896,459	937,958	42,824,327	-	-	645,485
Restricted for:						
Capital improvements	508,003	261,562	508,003	-	-	-
Tobacco authorization	2,877,480	801,516	3,678,996	2,609,729	-	1,294,345
Unrestricted	45,271,942	2,000,946	47,272,888	2,609,729	-	1,939,830
TOTAL NET ASSETS	124,217,481	12,449,088	136,666,569	2,666,719	3,460,529	3,460,529

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

COUNTY OF CHEMUNG - STATE OF NEW YORK
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
CURRENT ASSETS			
Cash	\$ 21,752,418	\$ -	\$ 21,752,418
Accounts receivable	2,781,600	1,072,197	3,853,797
Taxes receivable	6,806,454	-	6,806,454
Due from other funds	646,251	10,052,160	10,698,411
Due from external parties	811,507	-	811,507
State and federal receivables	13,272,201	649,402	13,921,603
	<u>46,070,431</u>	<u>11,773,759</u>	<u>57,844,190</u>
TOTAL ASSETS	\$ 46,070,431	\$ 11,773,759	\$ 57,844,190
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	\$ 2,354,709	\$ 3,184,375	\$ 5,539,084
Accrued liabilities	5,836,774	391,917	6,228,691
Other liabilities	-	-	-
Revenue and bond anticipation notes	18,000,000	328,523	18,328,523
Due to other governments	2,081,302	2,396	2,083,698
Due to other funds	13,287,742	1,542,331	14,830,073
Deferred revenue	4,059,020	-	4,059,020
	<u>45,619,547</u>	<u>5,449,542</u>	<u>51,069,089</u>
TOTAL LIABILITIES	45,619,547	5,449,542	51,069,089
FUND EQUITY			
Reserved fund balance			
Special purposes	2,999,731	-	2,999,731
Capital projects	-	508,003	508,003
Unreserved-designated fund balance	-	-	-
Unreserved-undesignated fund balance	(2,548,847)	5,816,214	3,267,367
Unreserved-undesignated fund balance - reported in:			
Special revenue funds	-	-	-
Debt Service	-	-	-
	<u>450,884</u>	<u>6,324,217</u>	<u>6,775,101</u>
TOTAL FUND BALANCE	450,884	6,324,217	6,775,101
TOTAL LIABILITIES AND FUND EQUITY	\$ 46,070,431	\$ 11,773,759	\$ 57,844,190

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, 2004

Total Governmental Fund Balance \$ 6,775,101

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

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

Land	\$ 15,710,890	
Land improvements	710,808	
Infrastructure	14,706,816	
Buildings and improvements	53,899,214	
Furniture, Vehicles and Equipment	24,930,597	
Construction in progress	1,458,639	
TOTAL CAPITAL ASSETS	111,416,964	
Less: Accumulated Depreciation	(31,424,933)	79,992,031

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

Accrued compensated absences	(2,731,890)	
Accrued Group Health Liability	(525,000)	
Installment debt due to other government	(510,049)	
Accrued interest payable	(1,142,545)	
General obligation bonds payable	(37,595,522)	(42,505,006)

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	871,882	
Self-Insurance Fund	137,934	1,009,816

Net Assets of Governmental Activities \$ 45,271,942

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, 2004

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Real property taxes	\$ 22,011,245	\$ 3,139,258	\$ 25,150,503
Real property tax items	1,644,191	-	1,644,191
Non-property taxes	<u>30,210,758</u>	-	<u>30,210,758</u>
Departmental income	11,907,780	6,349,487	18,257,267
Federal aid	21,636,081	5,462,346	27,098,427
State aid	24,051,111	2,219,885	26,270,996
Intergovernmental revenue	4,074,156	124,182	4,198,338
Use of money and property	523,367	1,019,401	1,542,768
Sale of property and compensation for loss	1,075,742	403,876	1,479,618
Licenses and permits	4,789	6,170	10,959
Fines and forfeitures	314,803	-	314,803
Miscellaneous revenue	<u>5,567,216</u>	<u>590,325</u>	<u>6,157,541</u>
TOTAL REVENUE	<u>123,021,239</u>	<u>19,314,930</u>	<u>142,336,169</u>
EXPENDITURES			
General government	9,879,031	211,933	10,090,964
Public safety	13,743,977	232,463	13,976,440
Transportation	4,487,427	15,064,106	19,551,533
Health	9,172,928	573,023	9,745,951
Economic assistance and opportunity	68,412,533	-	68,412,533
Culture and recreation	1,621,565	1,696,199	3,317,764
Education	3,371,903	-	3,371,903
Home and community services	780,299	8,494,924	9,275,223
Debt service	<u>5,273,161</u>	<u>1,895,670</u>	<u>7,168,831</u>
TOTAL EXPENDITURES	<u>116,742,824</u>	<u>28,168,318</u>	<u>144,911,142</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	6,278,415	(8,853,388)	(2,574,973)
OTHER FINANCING SOURCES (USES)			
Proceeds from obligations	-	3,254,481	3,254,481
Operating transfers in	164,200	5,192,983	5,357,183
Operating Transfers out	<u>(5,037,983)</u>	<u>(319,200)</u>	<u>(5,357,183)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(4,873,783)</u>	<u>8,128,264</u>	<u>3,254,481</u>
EXCESS (DEFICIT) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	1,404,632	(725,124)	679,508
FUND EQUITY-BEGINNING OF YEAR	<u>(953,748)</u>	<u>7,049,341</u>	<u>6,095,593</u>
FUND EQUITY-END OF YEAR	<u>\$ 450,884</u>	<u>\$ 6,324,217</u>	<u>\$ 6,775,101</u>

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, 2004

Net Change in Fund Equity-Total Governmental Funds \$ 679,508

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	11,822,146	
Depreciation expense	(3,187,135)	8,635,011

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: (277,088)

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	73,442	
Group Health Liability	250,000	
Landfill closure/post-closure	7,861,473	8,184,915

Receipt of bond proceeds is a revenue in the governmental funds, but the receipt increases the liabilities in the Statement of Net Assets (3,258,998)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets 4,228,018

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. 228,490

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding obligations on the statement of activities (80,619)

Changes in Net Assets of Governmental Activities \$ 18,339,237

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

COUNTY OF CHEMUNG - STATE OF NEW YORK
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2004

	ENTERPRISE FUNDS			
	CHEMUNG			INTERNAL SERVICE FUNDS
	NURSING FACILITY	TOBACCO ASSET SECURITIZATION CORPORATION	TOTAL ENTERPRISE FUNDS	
ASSETS				
CURRENT ASSETS				
Cash and securities	\$ 575,793	\$ 62,468	\$ 638,261	\$ 172,683
Accounts receivable	2,154,327	-	2,154,327	1,936,838
Receivable from external parties	-	6,537,321	6,537,321	-
State and federal receivables	-	-	-	6,233
Prepaid Expenses	64,759	-	64,759	-
Current portion of loans receivable	-	-	-	-
Due from other funds	266,166	-	266,166	3,895,496
Inventory of supplies, at cost	62,635	-	62,635	-
TOTAL CURRENT ASSETS	3,123,680	6,599,789	9,723,469	6,011,250
NON-CURRENT ASSETS				
Restricted cash	-	760,297	760,297	-
Unamortized bond issuance costs	-	235,706	235,706	-
CAPITAL ASSETS				
Non-depreciable capital assets	48,287	-	48,287	-
Net capital assets	1,681,329	-	1,681,329	-
TOTAL NON-CURRENT ASSETS	1,729,616	996,003	2,725,619	-
TOTAL ASSETS	\$ 4,853,296	\$ 7,595,792	\$ 12,449,088	\$ 6,011,250
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 589,153	\$ 4,208	\$ 593,361	\$ 2,684,459
Other liabilities	21,527	-	21,527	2,286,976
Accrued compensation and related liabilities	769,088	-	769,088	-
Current portion, notes and bonds payable	58,277	-	58,277	-
Due to third party payers	68,514	-	68,514	-
Due to other funds	-	-	-	30,000
TOTAL CURRENT LIABILITIES	1,506,559	4,208	1,510,767	5,001,435
NON-CURRENT LIABILITIES				
Workers' compensation benefits	873,882	-	873,882	-
Notes and bonds payable	733,471	7,330,022	8,063,493	-
TOTAL NON-CURRENT LIABILITIES	1,607,353	7,330,022	8,937,375	-
TOTAL LIABILITIES	3,113,912	7,334,230	10,448,142	5,001,435
NET ASSETS				
Invested in capital assets, net of related debt	937,868	-	937,868	-
Restricted	-	261,562	261,562	-
Unrestricted	801,516	-	801,516	1,009,815
TOTAL NET ASSETS	1,739,384	261,562	2,000,946	1,009,815
TOTAL LIABILITIES AND NET ASSETS	\$ 4,853,296	\$ 7,595,792	\$ 12,449,088	\$ 6,011,250

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, 2004

	ENTERPRISE FUNDS			INTERNAL SERVICE FUNDS
	NURSING FACILITY	CHEMUNG TOBACCO ASSET SECURITIZATION CORPORATION	TOTAL ENTERPRISE FUNDS	
OPERATING REVENUES				
Charges for services	\$ 12,582,996	\$ -	\$ 12,582,996	\$ 11,990,667
Other revenue	746,703	-	746,703	-
Investment income	-	619,758	619,758	-
Unrealized gain	-	2,374	2,374	-
TOTAL OPERATING REVENUE	13,329,699	622,132	13,951,831	11,990,667
OPERATING EXPENSES				
Personal services	6,662,854	-	6,662,854	-
Employee benefits	3,143,418	-	3,143,418	10,850,275
Contractual expenses	4,300,691	26,095	4,326,786	-
Depreciation	232,608	-	232,608	-
Bond amortization	-	16,776	16,776	-
Indirect expense	202,000	-	202,000	-
Interest expense	-	486,751	486,751	-
Workers' compensation benefits	61,613	-	61,613	997,862
TOTAL OPERATING EXPENSES	14,603,184	529,622	15,132,806	11,848,137
OPERATING INCOME (LOSS)	(1,273,485)	92,510	(1,180,975)	142,530
NON-OPERATING REVENUE (EXPENSES)				
Investment income	-	-	-	85,960
Intergovernmental transfer payment	93,726	-	93,726	-
Interest expense	(34,356)	-	(34,356)	-
TOTAL NON-OPERATING REVENUE (EXPENSES)	59,370	-	59,370	85,960
CHANGES IN NET ASSETS	(1,214,115)	92,510	(1,121,605)	228,490
Net Assets-Beginning of Year	2,953,499	169,052	3,122,551	781,325
Net Assets-End of Year	\$ 1,739,384	\$ 261,562	\$ 2,000,946	\$ 1,009,815

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, 2004

	ENTERPRISE FUNDS			
	CHEMUNG			INTERNAL SERVICE FUNDS
	NURSING FACILITY	TOBACCO ASSET SECURITIZATION CORPORATION	TOTAL ENTERPRISE FUNDS	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from services	\$ 14,020,635	\$ -	\$ 14,020,635	\$ 12,212,953
Receipts from state agency	490,051	-	490,051	-
Other receipts	256,652	-	256,652	-
Interest income and earnings on tobacco assets	-	43,542	43,542	-
Payments for workers' compensation benefits	-	-	-	-
Payments for goods and services	(4,461,977)	(31,095)	(4,493,072)	(1,336,750)
Payments to employees for services and benefits	(9,742,659)	-	(9,742,659)	-
Payments of tobacco bond interest	-	(479,597)	(479,597)	(11,615,192)
Proceeds from tobacco receipts	-	680,316	680,316	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>562,702</u>	<u>213,166</u>	<u>775,868</u>	<u>(738,989)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers from other funds	93,726	-	93,726	-
NET CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	<u>93,726</u>	<u>-</u>	<u>93,726</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income and earnings	-	-	-	85,960
Increase in restricted cash and investments	-	(62,213)	(62,213)	-
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>-</u>	<u>(62,213)</u>	<u>(62,213)</u>	<u>85,960</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase and construction of capital assets	(253,052)	-	(253,052)	-
Proceeds from issuance of bonds	233,374	-	233,374	-
Payment of bond and bond anticipation note principal	(42,060)	(140,000)	(182,060)	-
Payment of bond and bond anticipation note interest	(29,797)	-	(29,797)	-
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(91,535)</u>	<u>(140,000)</u>	<u>(231,535)</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	564,893	10,953	575,846	(653,029)
Cash and cash equivalents-beginning of year	10,900	51,515	62,415	825,712
Cash and Cash Equivalents-End of Year	<u>\$ 575,793</u>	<u>\$ 62,468</u>	<u>\$ 638,261</u>	<u>\$ 172,683</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED BY) OPERATING ACTIVITIES				
Operating Income	\$ (1,273,485)	\$ 92,510	\$ (1,180,975)	\$ 142,530
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:				
Depreciation and amortization	232,608	16,776	249,384	-
Unrealized gain	-	(2,374)	(2,374)	-
Changes in Assets and Liabilities:				
Patient accounts receivable	1,369,125	-	1,369,125	-
Accounts receivable	-	104,099	104,099	221,729
Inventory	12,576	-	12,576	-
State and federal receivables	-	-	-	558
Due from other funds	(260,507)	-	(260,507)	-
Prepaid expenses	1,007	-	1,007	-
Consumption of discount on bonds	-	7,155	7,155	-
Accounts payable	287,638	(5,000)	282,638	(745,701)
Accrued compensation and related liabilities	125,226	-	125,226	-
Accrued liabilities	-	-	-	-
Third party payer settlements, net	68,514	-	68,514	(358,105)
Net Cash Used in Operating Activities	<u>\$ 562,702</u>	<u>\$ 213,166</u>	<u>\$ 775,868</u>	<u>\$ (738,989)</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, 2004

	<u>AGENCY</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 4,125,299
Accounts receivable	144,269
TOTAL ASSETS	<u>\$ 4,269,568</u>
LIABILITIES	
Due to other governments	\$ 827,747
Other Liabilities	3,441,821
TOTAL LIABILITIES	<u>\$ 4,269,568</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, 2004

ASSETS	WORKERS' COMPENSATION	SELF INSURANCE FUND	TOTAL
CURRENT ASSETS			
Cash	\$ 172,683	\$ -	\$ 172,683
Accounts receivable	1,882,620	54,218	1,936,838
State and federal receivables	-	6,233	6,233
Due from other funds	576,155	3,319,341	3,895,496
TOTAL CURRENT ASSETS	2,631,458	3,379,792	6,011,250
TOTAL ASSETS	\$ 2,631,458	\$ 3,379,792	\$ 6,011,250
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ -	\$ 2,684,459	\$ 2,684,459
Accrued liabilities	1,729,577	557,399	2,286,976
Due to other funds	30,000	-	30,000
TOTAL CURRENT LIABILITIES	1,759,577	3,241,858	5,001,435
TOTAL LIABILITIES	1,759,577	3,241,858	5,001,435
NET ASSETS			
Unrestricted	871,881	137,934	1,009,815
TOTAL NET ASSETS	871,881	137,934	1,009,815
TOTAL LIABILITIES AND NET ASSETS	\$ 2,631,458	\$ 3,379,792	\$ 6,011,250

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, 2004

	<u>WORKERS' COMPENSATION</u>	<u>SELF INSURANCE FUND</u>	<u>TOTAL</u>
OPERATING REVENUES			
Charges for services	\$ 1,130,004	\$ 10,860,663	\$ 11,990,667
TOTAL OPERATING REVENUE	<u>1,130,004</u>	<u>10,860,663</u>	<u>11,990,667</u>
OPERATING EXPENSES			
Employee health benefits	-	10,850,275	10,850,275
Workers' compensation benefits	997,862	-	997,862
TOTAL OPERATING EXPENSES	<u>997,862</u>	<u>10,850,275</u>	<u>11,848,137</u>
 OPERATING INCOME	 132,142	 10,388	 142,530
NON-OPERATING REVENUE			
INVESTMENT INCOME	85,960	-	85,960
TOTAL NON-OPERATING REVENUE	<u>85,960</u>	<u>-</u>	<u>85,960</u>
 CHANGES IN NET ASSETS	 218,102	 10,388	 228,490
Net Assets-Beginning of Year	653,779	127,546	781,325
Net Assets-End of Year	<u>\$ 871,881</u>	<u>\$ 137,934</u>	<u>\$ 1,009,815</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, 2004

	WORKERS' COMPENSATION	SELF INSURANCE FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from services	\$ 1,315,816	\$ 10,897,137	\$ 12,212,953
Payments for workers' compensation benefits	(1,336,750)	-	(1,336,750)
Payments to employees for services and benefits	-	(11,015,192)	(11,015,192)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(20,934)	(718,055)	(738,989)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income and earnings	85,960	-	85,960
NET CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	85,960	-	85,960
 Net Increase in Cash and Cash Equivalents	 65,026	 (718,055)	 (653,029)
 Cash and cash equivalents-beginning of year	 107,657	 718,055	 825,712
 Cash and Cash Equivalents-End of Year	 <u>\$ 172,683</u>	 <u>\$ -</u>	 <u>\$ 172,683</u>
 RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED BY OPERATING ACTIVITIES)			
Operating income	\$ 132,142	\$ 10,388	142,530
 Changes in Assets and Liabilities:			
Accounts receivable	185,813	35,916	221,729
State and federal receivables	-	558	558
Due to other funds	-	-	-
Accounts payable	(33)	(745,668)	(745,701)
Accrued liabilities	(338,856)	(19,249)	(358,105)
 Net Cash Provided by Operating Activities	 <u>\$ (20,934)</u>	 <u>\$ (718,055)</u>	 <u>\$ (738,989)</u>

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

COUNTY OF CHEMUNG - STATE OF NEW YORK
COMBINING STATEMENT OF NET ASSETS
GOVERNMENTAL TYPE COMPONENT UNITS
DECEMBER 31, 2004

	ASSETS	STEELE MEMORIAL LIBRARY	SOIL & WATER CONSERVATION DISTRICT	TOTAL
CURRENT ASSETS				
Cash		\$ 197,056	\$ 270,832	\$ 467,888
Grants receivable		<u>2,096</u>	<u>-</u>	<u>2,096</u>
TOTAL CURRENT ASSETS		<u>199,151</u>	<u>270,832</u>	<u>469,983</u>
NON-CURRENT ASSETS				
Certificates of deposit		468,214	-	468,214
Investments		<u>1,728,522</u>	<u>-</u>	<u>1,728,522</u>
TOTAL NON-CURRENT ASSETS		<u>2,196,736</u>	<u>-</u>	<u>2,196,736</u>
TOTAL ASSETS		<u>\$ 2,395,887</u>	<u>\$ 270,832</u>	<u>\$ 2,666,719</u>
	LIABILITIES			
CURRENT LIABILITIES				
Accounts payable		\$ 56,990	\$ -	\$ 56,990
TOTAL CURRENT LIABILITIES		<u>56,990</u>	<u>-</u>	<u>56,990</u>
TOTAL LIABILITIES		<u>56,990</u>	<u>-</u>	<u>56,990</u>
	NET ASSETS			
Unrestricted		<u>2,338,897</u>	<u>270,832</u>	<u>2,609,729</u>
TOTAL NET ASSETS		<u>2,338,897</u>	<u>270,832</u>	<u>2,609,729</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 2,395,887</u>	<u>\$ 270,832</u>	<u>\$ 2,666,719</u>

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, 2004

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.

Discretely Presented:

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 2004 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 \$1,428,088 in 2004. The Library is a component unit and uses the accrual basis of accounting.

Blended Presentation:

Chemung Tobacco Securitization Corporation (TASC) is a local development corporation created in October 2000 under Section 1411 of the New York State Not-For-Proffit Corporation Law. In January 1997, the State of New York filed a lawsuit against the tobacco industry, seeking to recover the costs incurred in treating smoking-related illnesses. Under the agreement reached with the tobacco industry, referred to as the Master Settlement Agreement (MSA), the State and local governments are entitled to receive annual payments. The TASC was formed to raise funds, through the issuance of bonds, and use those funds to acquire the rights to future proceeds from the MSA,

**CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Blended Presentation: (continued)

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

During 2000 the county sold 40% of its rights to receive payment under the MSA to the TASC. The net proceeds were \$7,004,322. The TASC is considered a component unit and is blended with the business-type assets based on its use of accrual basis of accounting.

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

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

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

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

Chemung Tobacco Asset Securitization Corporation, Inc.
P.O. Box 588
Elmira, NY 14902

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.

CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements

The accounting system is organized and separated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities of the government and attaining certain objectives in accordance with special 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, 2004

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS/BASIS OF ACCOUNTING (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 or soon enough thereafter to finance any of the liabilities of the current period.~~ For the County, available means expected to be received within sixty days of year end. With this measurement focus, only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

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

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

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.

INTER-FUND RECEIVABLES AND PAYABLES

Short term Inter-fund 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.

INTER-FUND 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.

**CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2003 and 2004 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.

When the infrastructure assets are added in future years, a prior period adjustment will be required. The effect on net assets invested in capital assets net of related debt are unknown at this time.

ACCOUNTS PAYABLE, ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

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

COMPENSATED ABSENCES

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

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.

CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

NET ASSETS

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

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

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

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

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

The County Road Fund, a non-major fund, had a deficit net asset balance of \$36,537 at December 31, 2004.

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 firs amounts collected on the combined bills. The County assumes enforcement responsibility for all taxes levied in the towns.

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

**CHEMUNG COUNTY- STATE OF NEW YORK
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2004**

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.

At year end, the carrying amount of the County's deposits was \$25,784,524 and the bank balance was \$20,519,795. Of the bank balance, the following were the bank balances according to risk categories:

	TOTAL	CATEGORY 1	CATEGORY 2	CATEGORY 3
Cash deposits	\$ 20,519,795	\$ 400,000	\$ 20,119,795	\$ -

NOTE 4 RECEIVABLES

Real property taxes receivable at December 31, 2004 were \$6,806,454. Included in the real property taxes receivable are returned city, village, and school taxes of \$2,052,088 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 \$4,051,910 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 \$13,927,836 at December 31, 2004, as well as funds receivable for services rendered by departments such as the Airport, Solid Waste and the Sewer Districts of \$5,790,635 at December 31, 2004.

CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2004 was as follows:

GOVERNMENTAL-TYPE ACTIVITIES

	BALANCE 1/1/2004	ADDITIONS	DISPOSALS	BALANCE 12/31/2004
Non-depreciable Capital Assets:				
Construction in Progress	\$ 677,473	\$ 1,362,651	\$ (581,485)	\$ 1,458,639
Land	15,445,465	265,425	-	15,710,890
TOTAL NON-DEPRECIABLE CAPITAL ASSETS	16,122,938	1,628,076	(581,485)	17,169,529
Depreciable Capital Assets:				
Land Improvements	710,808	-	-	710,808
Buildings and building improvements	54,242,960	164,094	(507,840)	53,899,214
Infrastructure	7,305,668	7,401,148	-	14,706,816
Furniture, Equipment and Vehicles	22,015,167	3,475,738	(560,308)	24,930,597
TOTAL DEPRECIABLE CAPITAL ASSETS	84,274,603	11,040,980	(1,068,148)	94,247,435
Less Accumulated Depreciation For:				
Land Improvements	(211,622)	(34,199)	-	(245,821)
Buildings and building improvements	(14,143,288)	(802,434)	116,172	(14,829,550)
Infrastructure	(796,260)	(814,724)	-	(1,610,984)
Furniture, Equipment and Vehicles	(13,612,262)	(1,535,778)	409,462	(14,738,578)
TOTAL ACCUMULATED DEPRECIATION	(28,763,432)	(3,187,135)	525,634	(31,424,933)
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	\$ 71,634,109	\$ 9,481,921	\$ (1,123,999)	\$ 79,992,031

Depreciation expense was charged to governmental functions as follows:

General government	\$ 232,287
Public safety	410,660
Health	30,512
Transportation	1,738,764
Economic assistance and opportunity	54,926
Culture and recreation	86,585
Home and community services	633,401
TOTAL DEPRECIATION EXPENSE FOR GOVERNMENTAL ACTIVITIES	\$ 3,187,135

BUSINESS-TYPE ACTIVITIES

	BALANCE 1/1/2004	ADDITIONS	DISPOSALS	BALANCE 12/31/2004
Non-depreciable Capital Assets:				
Land	\$ 48,287	\$ -	\$ -	\$ 48,287
TOTAL NON-DEPRECIABLE CAPITAL ASSETS	48,287	-	-	48,287
Depreciable Capital Assets:				
Land Improvements	306,998	-	-	306,998
Buildings and fixed equipment	6,354,690	133,249	-	6,487,939
Movable equipment	1,296,769	120,000	(25,569)	1,391,200
TOTAL DEPRECIABLE CAPITAL ASSETS	7,958,457	253,249	(25,569)	8,186,137
Less Accumulated Depreciation For:				
Land Improvements	(271,742)	(4,948)	-	(276,690)
Buildings and fixed equipment	(4,899,498)	(157,105)	-	(5,056,603)
Moveable equipment	(1,126,332)	(70,555)	25,372	(1,171,515)
TOTAL ACCUMULATED DEPRECIATION	(6,297,572)	(232,608)	25,372	(6,504,808)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	\$ 1,709,172	\$ 20,641	\$ (197)	\$ 1,729,616

**CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 6 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 2004 and the two preceding years was as follows:

	2004	2003	2002
General pension contribution	\$ 4,367,767	\$ 1,772,278	\$ 427,398
Contribution for early retirement incentive	421,709	507,299	430,056
Group-term life insurance contribution	-	407	407
Total Pension Contribution	\$ 4,789,476	\$ 2,279,984	\$ 857,860

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	2004	APPLICABLE
	LOCAL COST	PAYMENT	INTEREST RATE
1999	295,858	69,274	8.50%
2000	707,414	165,638	8.00%
2002	748,256	175,201	8.00%
Other	-	5,469	
	\$ 1,751,528	\$ 415,582	

NOTE 7 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 8 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.

CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 8 DEFERRED COMPENSATION (Continued)

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.

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 PEBSICO and Nationwide Life Insurance Company to become Trustee and Custodian for the County of Chemung Deferred Compensation Plan.

As of December 31, 2004, employee contributions to the plan totaled \$1,296,028, which is not displayed in the financial statements.

NOTE 9 RISK RETENTION

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

The County's self-insured workers' compensation plan is accounted for as an internal service fund. Assessments are paid in to 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
2003	\$ 1,636,981	\$ 1,115,620	\$ (684,169)	\$ 2,068,432
2004	\$ 2,068,462	\$ 1,162,772	\$ (1,501,657)	\$ 1,729,577

NOTE 10 COMMITMENTS AND CONTINGENCIES

The settlement of a lawsuit with a former health insurance carrier resulted in a \$1,500,000 settlement to be paid by the County beginning January 2003 and continue through January 2007. As of December 31, 2004 the outstanding balance on this liability was \$525,000.

NOTE 11 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, 2004

NOTE 11 SHORT-TERM DEBT (Continued)

Short-term debt outstanding at December 31, 2004 is as follows:

Governmental-Type Activities:	Balance 12/31/2003	Additions	Reductions	Balance 12/31/2004
Revenue Anticipation Notes	\$ 18,000,000	\$ 18,000,000	\$ (18,000,000)	\$ 18,000,000
Bond Anticipation Notes	181,678	328,523	(181,678)	328,523
TOTAL	<u>\$ 18,181,678</u>	<u>\$ 18,328,523</u>	<u>\$ (18,181,678)</u>	<u>\$ 18,328,523</u>

Short-term debt at December 31, 2004 consists of \$18,000,000 revenue anticipation note used to pay current operating expenses prior to the collection of property taxes and a \$328,523 bond anticipation note used to fund various airport projects.

NOTE 12 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 2004, as defined by New York State Local Finance Law is \$198,898,912. The County's qualified debt for that period is \$38,387,270 or 19.61% of the constitutional debt limit.

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

Governmental-Type Activities:	Balance 12/31/2003	Additions	Reductions	Balance 12/31/04	Amounts Due Within One Year
General obligation bonds payable	\$ 38,564,542	\$ 3,258,998	\$ (4,228,018)	\$ 37,595,522	\$ 4,002,693
Compensated absences	2,805,332	718,503	(791,945)	2,731,890	771,299
Landfill closure/post-closure	7,861,473	-	(7,861,473)	-	-
Health ins. settlement liability	775,000	-	(250,000)	525,000	-
	<u>\$ 50,006,347</u>	<u>\$ 3,977,501</u>	<u>\$ (13,131,436)</u>	<u>\$ 40,852,412</u>	<u>\$ 4,773,992</u>
Business-Type Activities					
General obligation bonds payable	\$ 600,434	\$ 233,374	\$ (42,060)	\$ 791,748	\$ 58,277
Tobacco Trust/Tobacco Settlement Pass-Through Bond, 12/07/00-The face value of the bond was \$8,090,000 and was sold at a discount of \$116,695. The discount is being amortized over the life of the bond. The bond will mature on June 1, 2026. Interest ranges from 4.9%-6.4%. As of December 31, 2004 the face value of the bond was \$7,430,000 and the remaining discount was \$99,978.	7,462,867	-	(132,845)	7,330,022	-
Workers' Compensation	815,252	58,630	-	873,882	-
	<u>\$ 8,878,553</u>	<u>\$ 292,004</u>	<u>\$ (174,905)</u>	<u>\$ 8,995,652</u>	<u>\$ 58,277</u>

**CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 12 LONG-TERM DEBT (continued)

Current year debt service payments and balances at December 31, 2004 are as follows:

BOND	2004		BALANCE AT DECEMBER 31, 2004		
	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.	\$ 6,650	\$ 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.	97,875	300,000	1,200,000	1,200,000	-
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.	28,819	175,000	310,000	310,000	-
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.	234,600	600,000	2,850,000	2,850,000	-
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.	74,288	325,000	1,200,000	1,200,000	-

**CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 12 LONG-TERM DEBT (continued)

BOND	2004		BALANCE AT DECEMBER 31, 2004		
	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.	176,725	325,000	2,900,000	2,900,000	-
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.	34,485	160,000	610,000	610,000	-
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.	55,738	325,000	875,000	875,000	-
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.	173,187	607,842	5,524,900	5,242,800	282,100
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.	139,983	375,000	2,915,000	2,915,000	-
Public Improvement Bond, 11/15/99- This bond has staggered maturities from 2000-2015. It carries an interest rate that starts at 5.1% and rises to 5.125%. Interest payments are made twice annually. The bonding covers capital projects and purchases for the Nursing Facility, Sewer District and various General Fund Projects.	261,447	312,496	4,879,998	4,765,547	114,451

**CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 12 LONG-TERM DEBT (continued)

BOND	2004		BALANCE AT DECEMBER 31, 2004		
	INTEREST PAYMENTS	PRINCIPAL PAYMENTS	TOTAL	GOVERNMENTAL TYPE ACTIVITIES	BUSINESS TYPE ACTIVITIES
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.	151,950	120,759	3,185,000	3,076,943	108,057
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.	179,125	235,000	3,770,000	3,770,000	-
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.	211,939	191,912	4,675,000	4,621,234	53,766
Public Improvement Bond, 06/15/04-This bond has staggered maturities from 2005- 2017. It carries an interest rate that starts at 4.125% and rises to 4.40%. Interest payments are made twice annually. The bonding covers capital projects and purchases for various General Fund and Nursing Facility projects.	-	-	3,492,372	3,258,998	233,374
Total General Obligation Bonds	1,826,811	4,228,009	38,387,270	37,595,522	791,748
Tobacco Trust/Tobacco Settlement Pass- Through Bond, 12/07/00-The face value of the bond was \$8,090,000 and was sold at a discount of \$116,695. The discount is being amortized over the life of the bond. The bond will mature on June 1, 2026. Interest ranges from 4.9%-6.4%. As of December 31, 2004 the face value of the bond was \$7,430,000 and the remaining discount was \$99,978.	486,751	132,845	7,330,022	-	7,330,022
Total Principal and Interest	\$ 2,313,562	\$ 4,360,854			
Total Bonds Payable			45,717,292	37,595,522	8,121,770
Less: Current Portion General Obligation Bonds			4,060,970	4,002,693	58,277
Total Bonds Payable			\$ 41,656,322	\$ 33,592,829	\$ 8,063,493

**CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 12 LONG-TERM DEBT (continued)

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

	TOTAL		GOVERNMENTAL-TYPE ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2005	\$ 4,060,970	\$ 1,814,828	\$ 4,002,603	\$ 1,780,271	\$ 58,277	\$ 34,557
2006	4,256,268	1,528,532	4,189,623	1,502,177	66,645	26,355
2007	4,313,572	1,292,329	4,243,598	1,269,660	69,974	22,669
2008	4,401,492	1,035,831	4,328,547	1,017,025	72,945	18,806
2009	3,119,779	870,764	3,043,456	853,441	76,323	17,323
Thereafter	18,235,189	3,728,453	17,787,605	3,645,713	447,584	82,740
	<u>\$ 38,387,270</u>	<u>\$ 10,270,737</u>	<u>\$ 37,595,522</u>	<u>\$ 10,068,287</u>	<u>\$ 791,748</u>	<u>\$ 202,450</u>

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

	FIXED AMORTIZATION	FLEXIBLE AMORTIZATION	TOTAL AMORTIZATION
2005	\$ 5,000	\$ 150,000	\$ 155,000
2006	5,000	160,000	165,000
2007	15,000	175,000	190,000
2008	30,000	185,000	215,000
2009	35,000	200,000	235,000
Thereafter	870,000	5,600,000	6,470,000
	<u>\$ 960,000</u>	<u>\$ 6,470,000</u>	<u>\$ 7,430,000</u>

NOTE 13 RESERVES

The County has the following reserve funds for the following purposes at December 31, 2004:

Governmental-Type Activities

General Fund

Reserve for tax stabilization	\$ 225,258
Employee Benefits	965,395
Retirement benefits	1,224,468
Other reserves	584,610
TOTAL	<u>2,999,731</u>

Non-major Governmental Funds

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

TOTAL GOVERNMENTAL-TYPE ACTIVITIES RESERVED FUND BALANCE	<u>\$ 3,507,734</u>
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**CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 14 CHEMUNG COUNTY NURSING FACILITY - ENTERPRISE FUND

Summary of Significant Accounting Policies

Basis of reporting - The accompanying financial statements reflect the financial activity of the Chemung County Nursing Facility 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 2004 and a copy of the complete audited financial statements may be obtained from the Chemung County Nursing Facility.

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

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

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

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of the individual receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off through charges to the valuation allowance and a credit to the applicable accounts receivable. The allowance for doubtful accounts at December 31, 2004 was \$150,000.

Revenue from Medicaid and Medicare accounted for approximately 69% of the Facility's total revenue for the year ended December 31, 2004. 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.

**CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 14 CHEMUNG COUNTY NURSING FACILITY - ENTERPRISE FUND (continued)

Third-Party Reimbursement

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

Medicaid retroactive adjustments, which amounted to \$188,798 for the period April 2002 to September 30, 2004, were recorded as a decrease in operating revenue for the year ended December 31, 2004. Additionally, Medicaid retroactive adjustments, which amounted to \$36,548 for the period July 2000 to June 31, 2002, were recorded as a reduction of revenue for the year ended December 31, 2003.

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.

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

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

Amount payable to New York State Department of Social Services (DSS) for Medicaid overpayments from the reimbursement rate audit.	<u>2004</u>
	\$ <u>68,514</u>

Disadvantaged Facility Fund - The New York State Health and Medicaid budget bill passed in 2004 provides for additional state funding to be available over a two-year period as a short-term relief measure for financially distressed facilities. The money is intended to be distributed according to a formula methodology based on a rolling three-year average of a facility's operating margin. As of April 4, 2005, The New York State Department of Health (DOH) was in the final stages of its calculations for distribution of these funds. After DOH approvals have been obtained, the New York State Division of Budget must approve the package before funds can be released. The Facility expects to receive \$400,000 in Disadvantaged Facility Funding related to 2004 during 2005. However, since final distribution calculations have not been made as of April 4, 2005, no revenue or receivable for these funds have been recorded in the accompanying 2004 financial statements.

Employee and Retiree Benefits

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

The Facility makes pension 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, 2004 amounted to \$802,573.

**CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 14 CHEMUNG COUNTY NURSING FACILITY - ENTERPRISE FUND (continued)

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 \$86,555 for December 31, 2004. The retired employees reimburse the Facility for a portion of these expenses and the reimbursed amount is allocated against this expense. At December 31, 2004, there were approximately 77 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. At December 31, 2004 twenty 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, 2004, using the present value method, the Facility has recorded an estimated liability of \$900,370 for these lifetime benefits, assuming all claimants are paid to age 72. Accordingly, the provision has been presented in the accompanying statements of activities and changes in net assets as an operating expense, with the amount expected to be paid in each succeeding calendar year (\$26,488) included under current liabilities in the accompanying balance sheet.

NOTE 15 INTERFUND BALANCES

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

All interfund balances are considered to be short-term. Interfund balances at December 31, 2004 consisted of the following:

DUE TO:	DUE FROM:			Total
	General Fund	Non-Major Governmental Funds	Internal Service	
General Fund	\$ -	\$ 646,250	\$ -	\$ 646,250
Non-Major Governmental Funds	9,150,751	896,081	5,329	10,052,161
Internal Service	3,870,826	-	-	3,870,826
Health Facility	266,166	-	-	266,166
	<u>\$ 13,287,743</u>	<u>\$ 1,542,331</u>	<u>\$ 5,329</u>	<u>\$ 14,835,403</u>

Transfers are used to:

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

**CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 16 INTERFUND TRANSFERS

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

TRANSFER OUT:	TRANSFER IN:		
	General Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 164,200	\$ 164,200
Non-Major Governmental Funds	5,037,983	319,200	5,357,183
	<u>\$ 5,037,983</u>	<u>\$ 483,400</u>	<u>\$ 5,521,383</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 17 JOINT VENTURES

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

Southern Tier Central Regional Planning and Development Board - The Counties of Chemung, Steuben, and Schuyler are participants in the joint Southern Tier Central Regional Planning and Development Board. The municipal agreement provides that the participants' share of the cost shall be prorated as agreed upon by the member Counties. In 2004, the County of Chemung contributed \$75,650. As of December 31, 2004, 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 \$3.4 million in its 2004 real property tax levy to help finance the College's expenditures. In 2004, the County expended \$3,371,903 in residential tuition, which was based on capital and operating costs.

The following is a summary of audited financial information included in the financial statements issued for the joint venture for the year-ended August 31, 2004:

	<u>All Funds</u>
Total Assets	\$ 34,826,146
Total Liabilities	\$ 20,515,089
Net Assets	\$ 14,311,056
Total Revenues	\$ 33,031,067
Total Expenses	\$ 32,739,090

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

**CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 18 CHEMUNG TOBACCO ASSET SECURITIZATION CORPORATION

Summary of Significant Accounting Policies

Nature of Organization

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

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

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

RESTRICTED CASH – LIQUIDITY RESERVE

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

RESTRICTED CASH – TRAPPING RESERVE

The Organization is required to place a portion of the bond proceeds in excess of debt service and operational expenses in this account when a "trapping" event occurs. The trapping events include "consumption decline", "downgrade", "lump sum" and "NPM" trapping requirements. During 2003, a downgrade trapping event occurred whereby an Original Participating Manufacturer, with a market share of 7% or more, received a credit rating below "Baa3" by Moody's or "BBB" by Standard & Poors. The downgrade event requires that an amount equal to 25% of the outstanding bond principal be trapped until one year after the end of the downgrade trapping condition. As of December 31, 2004, there were insufficient available assets to fully satisfy the 25% trapping requirement. Future payments of residual certificates will be suspended, and available monies trapped, until the 25% trapping requirement is satisfied or the downgrade condition is removed.

RESTRICTED SECURITIES – HELD IN TRUST

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

RESIDUAL PAYABLE TO CHEMUNG COUNTY

The Organization receives 100% of Chemung County's tobacco settlement proceeds, although only 40% are applicable to the Organization. The residual 60% is refundable to Chemung County. As of December 31, 2004 and 2003 \$4,208 and \$9,208 of residual assets due Chemung County were held by the Organization, respectively.

RELATED PARTY

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

**CHEMUNG COUNTY- STATE OF NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 18 CHEMUNG TOBACCO ASSET SECURITIZATION CORPORATION (continued)

TOBACCO SETTLEMENT PROCEEDS RECEIVABLE

This asset represents estimated future payments to be received from the Master Settlement Agreement (MSA) between various tobacco manufacturers and the state and local governments. The MSA resolved cigarette smoking-related litigation between the manufacturers and the states. The right to receive the payments was acquired by the organization through a purchase from Chemung County, New York. The asset is presented on the Statements of Financial Position at cost, net of the principal portion of tobacco settlement proceeds received. During 2004 and 2003 interest accrued in the proceeds receivable aggregated \$569,523 and \$612,441 respectively. During 2004 the organization realized net tobacco proceeds of \$680,316 versus projected proceeds of \$647,571. The current present value of the projected future tobacco proceeds is estimated to be \$8,857,273 at December 31, 2004

BONDS PAYABLE

The bonds were issued in December 7, 2000 as part of the New York Counties Tobacco Trust/Tobacco Settlement Pass-Through Bond Series 2000. The Face value of the bonds issued was \$8,090,000. The bonds were sold at a discount of \$116,695 for a net issu price of \$7,973,305. The discount will be amortized over the maturity period of the bonds. The weighted average maturity period of the bonds is 15.914 years with a final maturity date of June 1, 2026. Interest on the bonds ranges from 4.9% to 6.4%. As of December 31, 2004 and 2003 the face value of the bonds payable was \$7,430,000 and \$7,570,000 with a remaining discount of \$99,978 and \$107,133, respectively.

The cost of issuing the bonds has been capitalized and is reported on the Statement of Financial Position as unamortized bond issuance costs. Amortization of the costs, using the effective interest method, is as follows:

	2004	2003
Bond issuance cost	\$ 275,016	\$ 275,016
Accumulated amortization	(39,310)	(22,534)
Unamortized bond issuance costs	\$ 235,706	\$ 252,482

NOTE 19 PRIOR PERIOD ADJUSTMENT

Net assets invested in capital assets, net of related debt were adjusted for year 2002 due to mechanical errors in the fixed asset reports. The result was that net assets previously reported were understated by a \$1,293,247, net. The correction of this error has no effect in the change in net assets resulting from activity of the current year.

NOTE 20 SUBSEQUENT EVENTS

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

Under the terms of the agreement Casella will be responsible for all closure and post closure costs. Accordingly the long-term liability for landfill closure and post closure costs has been removed from the general long-term debt account group. Casella has issued a performance bond to the county to assure their obligations under the terms of the agreement. The estimated closure and post closure liability was \$9,563,343 AT DECEMBER 31, 2004. The county had a reserve balance of \$508,003 for this liability.

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, 2004

REVENUES	ORIGINAL ADOPTED BUDGET	FINAL AMENDED BUDGET	ACTUAL RESULTS	VARIANCE
Real property taxes	\$ 21,812,575	\$ 21,812,575	\$ 22,011,245	\$ 198,670
Real property tax items	1,257,281	1,281,981	1,844,191	362,210
Non-property taxes	29,309,763	29,326,323	30,210,758	884,435
Departmental income	10,140,061	10,235,443	11,907,780	1,672,337
Federal aid	23,019,255	24,684,270	21,636,081	(3,048,189)
State aid	24,835,252	26,776,492	24,051,111	(2,725,381)
Intergovernmental revenue	3,971,198	4,118,186	4,074,156	(44,030)
Use of money and property	150,363	150,363	523,367	373,004
Sale of property and compensation for loss	1,088,949	1,209,022	1,075,742	(133,280)
Licenses and permits	6,000	6,000	4,789	(1,211)
Fines and forfeitures	298,755	349,555	314,803	(34,752)
Miscellaneous revenue	4,659,901	5,220,629	5,567,216	346,587
TOTAL REVENUE AND OTHER SOURCES	120,549,351	125,170,839	123,021,239	(2,149,600)
EXPENDITURES				
General government	10,389,408	11,113,727	9,879,031	1,234,696
Public safety	12,967,255	13,279,363	13,743,977	(464,614)
Transportation	4,818,378	4,442,007	4,487,427	(45,420)
Health	9,186,151	9,890,000	9,172,928	717,072
Economic assistance and opportunity	67,962,931	71,777,420	68,412,533	3,364,887
Culture and recreation	1,449,569	1,677,333	1,621,565	55,768
Education	3,449,833	3,449,833	3,371,903	77,930
Home and community services	741,497	727,366	780,299	(52,933)
Debt service	1,497,381	1,497,381	5,273,161	(3,775,780)
TOTAL EXPENDITURES AND OTHER USES	112,462,403	117,854,430	116,742,824	1,111,606
Excess (Deficiency) of Revenues Over Expenditures	8,086,948	7,316,409	6,278,415	(1,037,994)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	164,200	164,200	164,200	-
Operating transfers out	(8,550,942)	(8,648,242)	(5,037,983)	3,610,259
TOTAL OTHER FINANCING USES	(8,386,742)	(8,484,042)	(4,873,783)	3,610,259
Excess (Deficiency) of Revenues & Other Sources Over Expenditures and Other Uses	\$ (299,794)	\$ (1,167,633)	1,404,632	\$ 2,572,265
FUND EQUITY - BEGINNING OF YEAR			(953,748)	
FUND EQUITY - END OF YEAR			<u>\$ 450,884</u>	

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