

**COUNTY OF CHEMUNG -
STATE OF NEW YORK**

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2008**

COUNTY OF CHEMUNG - STATE OF NEW YORK
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To the County Legislature
County of Chemung - State of New York
Elmira, New York

INDEPENDENT AUDITORS' REPORT

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, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Chemung - State of New York's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Chemung County Nursing Facility, an enterprise fund of the County, which represent 3.56%, 0.00% and 11.60%, respectively, of the assets, net assets and operating revenues of the government-wide totals. We also did not audit the financial statements of the Chemung County Transit System, which is accounted for as a department of the General Fund of the County. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Chemung County Nursing Facility and the Chemung County Transit System, is based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Chemung - State of New York as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2009, on our consideration of the County of Chemung - State of New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in consideration of the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 49, are not a required part 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Chemung - State of New York's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the County of Chemung - State of New York. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Bidinger, Fox & Paneth, LLP

Elmira, New York
September 2, 2009

COUNTY OF CHEMUNG - STATE OF NEW YORK
Management's Discussion and Analysis
For the Year Ended December 31, 2008

Introduction

Our discussion and analysis of the County of Chemung's (the "County") financial performance provides an overview of the County's financial activities for the fiscal year ended December 31, 2008. It also provides a description and understanding of the various financial statements and other financial and statistical information contained herein. This section is only an introduction and should be read in conjunction with the County's financial statements, which immediately follow this section.

Financial Highlights

- The County's net assets on the government-wide statements total \$106,599,633. The unrestricted net assets were \$6,982,704, the invested in capital assets, net of related debt, was \$97,448,021 and \$2,168,908 was restricted as of December 31, 2008.
- The governmental "current ratio", which is an indicator of liquidity, is 1.70 and 1.49 as of December 31, 2008 and 2007 respectively.
- Governmental activities increased the County's net assets by \$2,579,620 or 2.48% in 2008 compared with an increase of \$6,189,525 or 6.36% in 2007.
- Operating grants and aid were 27.53% and 27.42% of the total governmental revenue in 2008 and 2007, respectively.
- Business-type net assets increased \$936,180 or 14.01% in 2008 as compared with an decrease of \$1,757,060 or 35.69% in 2007.

Components of the Annual Report

This annual report consists of three parts: *management's discussion and analysis* (this section), *the basic financial statements and required supplementary information*. The statement of net assets and the statement of activities on pages 11 and 12 are the government-wide financial statements and are intended to provide information about the County as a whole. These statements provide a long-term view of the County's finances in a manner similar to private sector companies. The fund financial statements on pages 13 and 15 report the County's operations in more detail and in a more traditional manner. These statements illustrate how services were financed, for the most significant funds, in the short term as well as what remains for future spending. The notes to the financial statements contain information required to properly interpret the information in the financial statements and are therefore an integral part of this report.

Government-wide Financial Statements

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

Net assets are classified into three components as follows:

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

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

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

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

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

Fund Financial Statements

The fund financial statements provide more detailed information about the County's most significant funds and not the County as a whole. A fund is a fiscal or accounting entity with a self-balancing set of accounts used to maintain control over assets segregated for specific activities or objectives.

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

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

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

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

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

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

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

Other Financial Information:

Reconciliation Between Government-Wide and Fund Statements provide a crosswalk between the government-wide statements and the governmental fund statements. This crosswalk reconciles the statement of net assets with the governmental fund balance sheet and the statement of activities with the statement of revenues, expenditures and changes in fund 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.

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Management's Discussion and Analysis
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Some of the major differences illustrated in the reconciliation are:

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

Notes to Financial Statements provide essential information with regard to the financial statements taken as a whole and are therefore essential to gain an accurate understanding of the financial position and the results of the County's operations.

Required Supplementary Information presents a budgetary comparison to demonstrate legal compliance with regard to adopting a budget and later modifications.

Condensed Statement Of Net Assets
December 31, 2008 And 2007

	Governmental Activities			Business-type Activities		
	2008	2007	Change	2008	2007	Change
Assets:						
Current and other assets	\$ 36,581,163	\$ 43,773,787	\$ (7,192,624)	\$ 4,974,763	\$ 5,376,774	\$ (402,011)
Capital assets, net	<u>136,139,152</u>	<u>133,052,753</u>	<u>3,086,399</u>	<u>3,473,233</u>	<u>3,438,929</u>	<u>34,304</u>
Total assets	<u>\$172,720,315</u>	<u>\$176,826,540</u>	<u>\$ (4,106,225)</u>	<u>\$ 8,447,996</u>	<u>\$ 8,815,703</u>	<u>\$ (367,707)</u>
Liabilities:						
Current liabilities	\$ 21,508,908	\$ 29,378,553	\$ (7,869,645)	\$ 1,909,086	\$ 4,705,875	\$ (2,796,789)
Long-term liabilities	<u>44,611,774</u>	<u>43,427,974</u>	<u>1,183,800</u>	<u>12,282,883</u>	<u>10,789,981</u>	<u>1,492,902</u>
Total liabilities	<u>66,120,682</u>	<u>72,806,527</u>	<u>(6,685,845)</u>	<u>14,191,969</u>	<u>15,495,856</u>	<u>(1,303,887)</u>
Net Assets:						
Investments in capital assets, net of debt	97,448,021	93,740,487	3,707,534	561,272	1,102,091	(540,819)
Restricted	2,168,908	3,951,068	(1,782,160)	-	-	-
Unrestricted	<u>6,982,704</u>	<u>6,328,458</u>	<u>654,246</u>	<u>(6,305,245)</u>	<u>(7,782,244)</u>	<u>1,476,999</u>
Total net assets	<u>106,599,633</u>	<u>104,020,013</u>	<u>2,579,620</u>	<u>(5,743,973)</u>	<u>(6,680,153)</u>	<u>936,180</u>
Total Liabilities and Net Assets	<u>\$172,720,315</u>	<u>\$176,826,540</u>	<u>\$ (4,106,225)</u>	<u>\$ 8,447,996</u>	<u>\$ 8,815,703</u>	<u>\$ (367,707)</u>

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

COUNTY OF CHEMUNG - STATE OF NEW YORK
Management's Discussion and Analysis
For the Year Ended December 31, 2008

Changes in Net Assets
For The Years Ended December 31, 2008 And 2007

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>2008</u>	<u>2007</u>	<u>Change</u>	<u>2008</u>	<u>2007</u>	<u>Change</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 29,264,737	\$ 30,765,054	\$ (1,500,317)	\$ 15,908,775	\$ 14,174,106	\$ 1,734,669
Operating grants and contributions	48,348,335	47,813,241	535,094	-	-	-
Capital grants and contributions	5,176,543	8,674,369	(3,497,826)	-	-	-
General Revenues:						
Property taxes	25,932,409	25,532,248	400,161	-	-	-
Other taxes	56,999,685	54,190,738	2,808,947	-	-	-
Other revenue	<u>9,893,809</u>	<u>7,374,407</u>	<u>2,519,402</u>	<u>4,639,203</u>	<u>2,483,421</u>	<u>2,155,782</u>
Total revenues	<u>175,615,518</u>	<u>174,350,057</u>	<u>1,265,461</u>	<u>20,547,978</u>	<u>16,657,527</u>	<u>3,890,451</u>
Program Expenses:						
General government support	34,749,527	32,799,326	1,950,201	481,142	499,966	(18,824)
Education	4,026,737	3,771,725	255,012	-	-	-
Public safety	17,555,289	18,377,635	(822,346)	-	-	-
Health	13,149,190	11,970,580	1,178,610	-	-	-
Transportation	16,962,496	16,080,628	881,868	-	-	-
Economic assistance	73,535,551	71,197,410	2,338,141	-	-	-
Culture and recreation	3,372,341	3,296,487	75,854	-	-	-
Home and community services	8,081,366	9,437,614	(1,356,248)	-	-	-
Debt interest	1,603,401	1,229,127	374,274	-	-	-
Workers' compensation	-	-	-	19,130,656	17,914,621	1,216,035
Total expenses	<u>173,035,898</u>	<u>168,160,532</u>	<u>4,875,366</u>	<u>19,611,798</u>	<u>18,414,587</u>	<u>1,197,211</u>
Change In Net Assets	<u>2,579,620</u>	<u>6,189,525</u>	<u>(3,609,905)</u>	<u>936,180</u>	<u>(1,757,060)</u>	<u>2,693,240</u>
Net Assets - Beginning - As Originally Reported	104,020,013	97,315,488	6,704,525	(6,680,153)	(4,923,093)	(1,757,060)
Restatement	-	515,000	(515,000)	-	-	-
Net Assets - Beginning - As Restated	<u>104,020,013</u>	<u>97,830,488</u>	<u>6,189,525</u>	<u>(6,680,153)</u>	<u>(4,923,093)</u>	<u>(1,757,060)</u>
Net Assets - Ending	<u>\$ 106,599,633</u>	<u>\$ 104,020,013</u>	<u>\$ 2,579,620</u>	<u>\$ (5,743,973)</u>	<u>\$ (6,680,153)</u>	<u>\$ 936,180</u>

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

Governmental activities net assets balance at January 1, 2007 was restated for the bonds payable balance for total adjustments to net assets of \$515,000.

COUNTY OF CHEMUNG - STATE OF NEW YORK
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Factors Affecting Overall Financial Position

Governmental Activities - During 2008, governmental activities resulted in an overall increase of net assets of \$2,579,620 which represents a 3.47% decrease from 2007. The County receives revenues from varying sources. Major funding sources and their relationship to total revenue for the following year are as follows:

<u>Funding Source</u>	<u>2008 Percentage of Total Revenue</u>	<u>2007 Percentage of Total Revenue</u>	<u>Increase (Decrease)</u>
State and Federal Aid	30.48 %	32.40 %	(1.92)%
Property tax and related items	14.77 %	14.64 %	0.13 %
Non property tax items	32.46 %	31.08 %	1.38 %
Departmental income	16.66 %	17.65 %	(0.99)%
Other	<u>5.63 %</u>	<u>4.23 %</u>	<u>1.40 %</u>
Total expenses	<u>100.00 %</u>	<u>100.00 %</u>	<u>0.00 %</u>

Overall public assistance expenditures were as follows:

<u>Program</u>	<u>2008</u>	<u>2007</u>	<u>Difference</u>	<u>Percentage Change</u>
Temporary Assistance	\$ 3,804,444	\$ 4,194,221	\$ (389,777)	(9.29)%
Safety Net	\$ 3,098,546	\$ 3,629,741	\$ (531,195)	(14.63)%
Medicaid	\$ 21,898,957	\$ 17,963,128	\$ 3,935,829	21.91 %
Children Services	\$ 16,597,744	\$ 15,575,492	\$ 1,022,252	6.56 %

Business-type Activities - During 2008 the Chemung County Nursing Facility (the "Facility") had an overall increase in net assets of \$690,957 which represents a 40% increase. The Facility receives 67% of its revenue from patient services which were up \$1,054,911 or 7% from 2007.

Financial Analysis of Governmental Funds

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

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

Proprietary Fund - The Chemung County Nursing Facility is a proprietary fund. At December 31, 2008 the Nursing Facility had a net fund deficit of \$1,029,719.

Capital Asset and Debt Administration

Capital Assets - The County's investment in capital assets, net of accumulated depreciation and related debt, for governmental and business-type activities as of December 31, 2008 was \$98,009,293. This represents an increase of \$3,166,715 from 2007. The investment in capital assets includes land, land improvements, buildings, building improvements, furniture, equipment, vehicles, construction in progress, infrastructure and accumulated depreciation. Infrastructure includes highways, bridges, airport runways and sewers. These financial statements include all infrastructure constructed from 1980-2008 in accordance with GASB 34. Major capital additions included significant highway and road work as well as repaving and extension of airport runways.

Long-Term Debt - The County had total general obligation bonds payable of \$38,691,131 as of December 31, 2008. The total bonds payable was decreased by \$621,135 from the balance of \$39,312,266 as of December 31, 2007. The County borrowed \$4,321,011 in 2008 for various capital projects.

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Economic Outlook and Future Benefits

- The recession has had an adverse impact on job growth in Chemung County. Unemployment has risen to more than 9% by the middle of 2009. However, there have been some positive occurrences which have helped to lessen the effect of the nationwide economic downturn.
- Despite lower sales Nucor Corporation and the Hilliard Corporation, two significant manufacturing employers in Chemung County, have both chosen to reduce the hours of their workforce rather than lay-off employees.
- Stanford Connecticut based DeMet's Candy Company has relocated its manufacturing operation from Toronto, Canada to Chemung County. They built a \$13.5 million, 100,000 square foot facility in Airport Corporate Park which was completed in early 2009. They are currently operating one production line with two more expected to come on line very soon. When fully operational they will employ 100 full time and 70 part-time employees.
- Sikorsky Hawkworks at Schweizer Aircraft completed a \$16 million 110,000 square foot facility in 2007. They are now developing plans for a 120,000 square foot addition to that facility. When completed the facility will employ more than a 1,200 people. The addition should be completed in late 2010 or early 2011.
- CVS Pharmacy has started construction on a 1.2 million square foot distribution center in the Town of Chemung at a cost of \$36 million. Once completed the distribution center will employ 800 people.
- Schlumberger Limited, a multi-national oil and gas exploration and drilling company incorporated in the Netherlands, is constructing a \$40 million, 400,000 square foot complex in Horseheads. They will employ 400 people with an average salary of \$60,000 at this site.
- Chemung County continues to be one of the leading areas in the state for retail growth. While many areas of the state experienced declining or at best only moderate sales tax growth in 2008 Chemung County experienced a 5.3% increase in sales tax revenues. When combined with the 4.9% growth in 2007 and 6% growth in 2006 it is apparent that retail sales remain a vital part of the local economy. Through the first half of 2009 our sales tax numbers are down 1.8% from the same period in 2008. Though disappointing, it is better than the double digit declines being reported in many other counties.
- The \$70 million Southern Tier Crossings shopping complex was completed in 2007. The anchor store of the complex is a Wal-Mart Supercenter. The complex also has a Kohls, Lane Bryant, Men's Warehouse and a Dick's Sporting Goods superstore. There are also a variety of smaller shops and restaurants. In addition plans are underway for further expansion of the site.
- Southern Tier Crossing along with Consumer Square, the Arnot Mall and the Shops at Chambers continue to draw shoppers from Allegany, Steuben, Schuyler, Tioga, Broome, Yates and Tompkins Counties in the southern tier of New York as well as Potter, Tioga, Bradford and Susquehanna Counties in northern Pennsylvania.

COUNTY OF CHEMUNG - STATE OF NEW YORK
Management's Discussion and Analysis
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General Fund Budget Modifications

Budgeted appropriations were increased by \$24,581,322 from the original adopted budget. The budgetary changes are summarized as follows:

	<u>Original</u>	<u>Modified</u>	<u>Change</u>
General government support	\$ 9,630,676	\$ 29,612,799	\$ 19,982,123
Education	3,879,800	3,879,800	-
Public safety	12,909,961	13,132,435	222,474
Health	11,401,168	11,395,738	(5,430)
Transportation	4,154,099	4,222,712	68,613
Economic assistance	67,950,764	71,451,799	3,501,035
Culture and recreation	2,512,784	2,976,350	463,566
Home and community services	881,576	1,227,853	346,277
Employee benefits	12,453,583	12,456,247	2,664
Debt services	4,851,122	4,851,122	-
	<u>\$ 130,625,533</u>	<u>\$ 155,206,855</u>	<u>\$ 24,581,322</u>

- The increase in the general government budget is due almost exclusively to the recognition of sales tax revenue at gross and the distribution of the city, town and village shares as expenditures. The revenue and appropriations budgets were increased by \$19,434,952 to accommodate this change. Other budgetary increases were contractual in nature and totaled \$549,835 including \$283,919 in building maintenance and projects.
- The increase in the public safety budget was due to an increase in the emergency management capital equipment budget for the communications center.
- The increase in the economic assistance and opportunity budget was due largely to an increase of \$3,328,845 in the Medicaid budget to support the local share of the Nursing Facility Intergovernmental Transfer Program. The remainder of the budgetary increase was due to increases in the early intervention and pre-kindergarten programs.
- The increase in the culture and recreation budget resulted from the decision to record the revenue and distribution of the hotel rooms occupancy tax. The total revenue and appropriation budget for this program was \$450,000.
- The increase in the home and community budget was due primarily to two factors. The planning department received a \$170,000 grant and the budget for soil and water conservation was increased by \$170,000 for various dam and stream projects.

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Management's Discussion and Analysis
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General Fund Final Budget Compared to Actual Expenditures

Actual expenditures were \$(4,821,153) less than the final budget. The budget to actual fluctuations are summarized below:

	Modified Budget	Actual Expenditures	Favorable (Unfavorable) Variances
General government support	\$ 29,612,799	\$ 30,165,070	\$ (552,271)
Education	3,879,800	4,026,737	(146,937)
Public safety	13,132,435	12,408,927	723,508
Health	11,395,738	10,793,542	602,196
Transportation	4,222,712	4,782,314	(559,602)
Economic assistance	71,451,799	68,780,193	2,671,606
Culture and recreation	2,976,350	2,783,156	193,194
Home and community services	1,227,853	1,126,284	101,569
Employee benefits	12,456,247	10,520,121	1,936,126
Debt service	4,851,122	4,999,358	(148,236)
	<u>\$ 155,206,855</u>	<u>\$ 150,385,702</u>	<u>\$ 4,821,153</u>

- General government expenditures exceeded budget due to payment of the non-county share of sales tax. Sales tax collections exceeded the budget by nearly 4% which resulted in payments to other municipalities of more than \$1 million in excess of budget. Other contractual and payroll expenses were about \$400,000 lower than budget.
- Public safety payroll expenditures were about \$250,000 lower than budget primarily due to reduced jail overtime. Lower costs for emergency management equipment resulted in a positive variance for equipment purchases of almost \$200,000. Other contractual expenses were lower than budget by a combined total of almost \$300,000.
- The budgeted transit contract were greater than the amount agreed to in the final contract for 2008 resulting in a favorable variance of \$475,000.
- Recoupment of prior years unspent mental health advances resulted in lower payments to mental health contractors in 2008 and a favorable variance of almost \$500,000.
- The favorable variance in employee benefits resulted from lower than anticipated health insurance and pension costs.

County Financial Information

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

Component Unit Financial Information

Complete financial statements of individual component units can be obtained from their respective administrative offices. Addresses for each component unit are listed in Note 1 on page 26 of these financial statements.

COUNTY OF CHEMUNG - STATE OF NEW YORK
Statement Of Net Assets
December 31, 2008

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets:				
Cash and cash equivalents, unrestricted	\$ 358,284	\$ 554,374	\$ 912,658	\$ 539,267
Taxes receivable, net	8,692,859	-	8,692,859	-
Other receivables, net	9,834,566	3,127,291	12,961,857	23,661
Due from other funds	704,667	-	704,667	-
State and federal aid receivables	16,207,001	-	16,207,001	-
Due from other governments	173,408	-	173,408	-
Inventory	-	117,059	117,059	-
Prepaid expenditures	-	-	-	4,787
Other assets	-	-	-	200,530
Cash and cash equivalents, restricted	508,003	996,437	1,504,440	-
Unamortized bond issuance costs	-	179,602	179,602	-
Loans receivable	-	-	-	2,314,454
Reimbursement receivable, net	-	-	-	28,381
Restricted asset, revolving loan fund	-	-	-	265
Debt issuance costs, net of amortization	102,375	-	102,375	-
Capital assets:				
Capital assets, not depreciated	18,386,569	48,287	18,434,856	-
Capital assets, net of depreciation	<u>117,752,583</u>	<u>3,424,946</u>	<u>121,177,529</u>	<u>17,325,053</u>
Total assets	<u>172,720,315</u>	<u>8,447,996</u>	<u>181,168,311</u>	<u>20,436,398</u>
Liabilities:				
Cash deficit	655,849	-	655,849	-
Accounts payable	7,544,224	330,292	7,874,516	263,448
Accrued liabilities	4,825,523	-	4,825,523	-
Accrued compensation and related liabilities	142,437	654,725	797,162	-
Other liabilities	-	40,799	40,799	-
Due to external parties	1,570,124	-	1,570,124	-
Due to other funds	-	704,667	704,667	-
Due to other governments	4,157,995	-	4,157,995	-
Deferred revenues	2,373,737	-	2,373,737	265
Bond anticipation notes payable	239,019	-	239,019	-
Due to third party payors	-	178,603	178,603	-
Long-term liabilities:				
Portion due or payable within one year:				
Bonds payable	3,937,602	212,177	4,149,779	875,573
Compensated absences	983,558	-	983,558	-
Portion due or payable after one year:				
Bonds payable	34,753,529	9,328,534	44,082,063	11,950,480
Compensated absences	1,682,633	-	1,682,633	-
OPEB liability	3,254,452	334,312	3,588,764	-
Workers' compensation benefits	-	2,407,860	2,407,860	-
Total liabilities	<u>66,120,682</u>	<u>14,191,969</u>	<u>80,312,651</u>	<u>13,089,766</u>
Net Assets (Deficit):				
Investment in capital assets, net of related debt	97,448,021	561,272	98,009,293	5,363,568
Restricted for:				
Capital projects	2,168,908	-	2,168,908	-
Unrestricted	<u>6,982,704</u>	<u>(6,305,245)</u>	<u>677,459</u>	<u>1,983,064</u>
Total net assets (deficit)	<u>\$ 106,599,633</u>	<u>\$ (5,743,973)</u>	<u>\$ 100,855,660</u>	<u>\$ 7,346,632</u>

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

COUNTY OF CHEMUNG - STATE OF NEW YORK
Statement Of Activities
For The Year Ended December 31, 2008

	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	Component Units
Functions/Programs							
Primary Government:							
Governmental activities:							
General government support	\$ 34,749,527	\$ 960,575	\$ -	\$ (23,454,957)	\$ -	\$ (23,454,957)	\$ -
Education	4,026,737	-	-	(14,877,057)	-	(14,877,057)	-
Public safety	17,555,289	1,229,496	-	(1,461,889)	-	(1,461,889)	-
Health	13,149,190	3,409,673	-	(9,288,944)	-	(9,288,944)	-
Transportation	16,962,496	2,497,009	5,176,543	(34,979,245)	-	(34,979,245)	-
Economic assistance	73,535,551	2,683,300	-	(1,552,185)	-	(1,552,185)	-
Culture and recreation	3,372,341	1,683,635	-	(3,028,605)	-	(3,028,605)	-
Home and community services	8,081,366	323,995	-	(1,603,401)	-	(1,603,401)	-
Debt interest	1,603,401	-	-	(1,603,401)	-	(1,603,401)	-
Total governmental activities	<u>173,035,898</u>	<u>48,348,335</u>	<u>5,176,543</u>	<u>(90,246,283)</u>	<u>-</u>	<u>(90,246,283)</u>	<u>-</u>
Business-type activities:							
Chemung County Nursing Facility	19,130,656	-	-	-	(3,901,639)	(3,901,639)	-
Chemung County Tobacco Asset Securitization Corporation	481,142	-	-	-	198,616	198,616	-
Total business-type activities	<u>19,611,798</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,703,023)</u>	<u>(3,703,023)</u>	<u>-</u>
Total primary government	<u>192,647,696</u>	<u>48,348,335</u>	<u>5,176,543</u>	<u>(90,246,283)</u>	<u>(3,703,023)</u>	<u>(93,949,306)</u>	<u>-</u>
Component Units:							
Industrial Development Agency	\$ 2,797,722	\$ 650,000	\$ -	\$ -	\$ -	\$ -	(2,147,722)
Soil and Water Conservation District	1,157,844	980,293	-	-	-	-	(102,131)
Total component units	<u>3,955,566</u>	<u>1,630,293</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,249,853)</u>
General Revenues:							
Real property taxes				25,932,409	-	25,932,409	-
Real property tax items				1,460,023	-	1,460,023	-
Non property tax items				55,539,662	-	55,539,662	-
Use of money and property				1,517,656	46,607	1,564,263	81,193
Sale of property and compensation for loss				1,186,330	-	1,186,330	(45,025)
Miscellaneous local sources				4,282,605	7,499,814	11,782,419	1,460,581
Interfund transfers - net				2,907,218	(2,907,218)	-	-
Total general revenues and interfund transfers				<u>92,825,903</u>	<u>4,639,203</u>	<u>97,465,106</u>	<u>1,496,749</u>
Change In Net Assets							
Change In Net Assets				2,579,620	936,180	3,515,800	(753,104)
Net Assets (Deficits) - Beginning Of Year							
Net Assets (Deficits) - Beginning Of Year				<u>104,020,013</u>	<u>(6,680,153)</u>	<u>97,339,860</u>	<u>8,099,736</u>
Net Assets (Deficits) - End Of Year							
Net Assets (Deficits) - End Of Year				<u>\$ 106,599,633</u>	<u>\$ (5,743,973)</u>	<u>\$ 100,855,660</u>	<u>\$ 7,346,632</u>

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

COUNTY OF CHEMUNG - STATE OF NEW YORK
Balance Sheet
Governmental Funds
December 31, 2008

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
<i>Assets:</i>				
Cash and cash equivalents, unrestricted	\$ 276,262	\$ -	\$ 82,022	\$ 358,284
Taxes receivable, net	8,692,859	-	-	8,692,859
Other receivables, net	6,609,491	7,239	927,116	7,543,846
Due from other funds	-	2,723,768	1,632,926	4,356,694
State and federal aid receivables	15,178,930	589,920	438,151	16,207,001
Due from other governments	-	172,668	-	172,668
Cash and cash equivalents, restricted	-	508,003	-	508,003
Total Assets	\$ 30,757,542	\$ 4,001,598	\$ 3,080,215	\$ 37,839,355
LIABILITIES AND FUND BALANCES				
<i>Liabilities:</i>				
Cash deficit	\$ -	\$ 655,849	\$ -	\$ 655,849
Accounts payable	6,669,180	569,479	301,570	7,540,229
Accrued liabilities	1,156,175	225,906	131,313	1,513,394
Retained percentages	-	142,437	-	142,437
Due to other funds	6,624,521	-	-	6,624,521
Due to other governments	4,046,311	-	2,396	4,048,707
Deferred revenues	2,373,737	-	-	2,373,737
Bond anticipation notes payable	-	239,019	-	239,019
Total liabilities	20,869,924	1,832,690	435,279	23,137,893
<i>Fund Balances:</i>				
Reserved for:				
Miscellaneous	1,205,164	508,002	-	1,713,166
Unreserved:				
Unappropriated	8,682,454	1,660,906	2,644,936	12,988,296
Total fund balances	9,887,618	2,168,908	2,644,936	14,701,462
Total Liabilities And Fund Balances	\$ 30,757,542	\$ 4,001,598	\$ 3,080,215	\$ 37,839,355

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, 2008

Total governmental fund balances		\$ 14,701,462
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of the following:		
Land	15,710,890	
Construction in progress	<u>2,675,679</u>	18,386,569
Total capital assets, not depreciated		
Buildings and improvements	58,921,150	
Infrastructure	105,295,031	
Land improvements	1,030,722	
Furniture, equipment and vehicles	<u>26,654,346</u>	
Total depreciable assets	191,901,249	
Less, accumulated depreciation	<u>(74,148,666)</u>	117,752,583
Total capital assets, net of depreciation		
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of the following:		
Bonds payable	(38,691,131)	
Compensated absences	(2,666,191)	
Accrued interest	(431,955)	
OPEB liability	(3,254,452)	
Installment debt - due to other governments	<u>(109,288)</u>	
Total liabilities		(45,153,017)
Other differences		
Internal service funds are used to allocate collective costs across funds. The assets and liabilities of these internal services funds are included in the governmental activity statement of net assets but not in the governmental fund balance. The net balance of those internal service funds are as follows:		
Workers' Compensation Fund	806,225	
Self-Insurance Fund	<u>3,436</u>	809,661
Total internal service funds		
Bond issuance cost	<u>102,375</u>	<u>102,375</u>
Total other differences		
Net assets of governmental activities		<u>\$ 106,599,633</u>

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

COUNTY OF CHEMUNG - STATE OF NEW YORK
Statement Of Revenues, Expenditures And Changes In Fund Balances
Governmental Funds
For The Year Ended December 31, 2008

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Real property taxes	\$ 22,953,542	\$ -	\$ 2,978,867	\$ 25,932,409
Real property tax items	1,460,023	-	-	1,460,023
Non property tax items	55,539,662	-	-	55,539,662
Department income	13,170,359	-	4,678,703	17,849,062
Intergovernmental charges	4,749,528	875,132	-	5,624,660
Use of money and property	376,137	-	1,141,519	1,517,656
Licenses and permits	6,777	-	12,552	19,329
Fines and forfeitures	301,583	-	-	301,583
Sale of property and compensation for loss	1,173,065	-	28,082	1,201,147
Miscellaneous local sources	4,089,883	7,354	91,209	4,188,446
State aid	29,384,022	846,212	1,406,550	31,636,784
Federal aid	<u>19,272,284</u>	<u>2,615,810</u>	<u>-</u>	<u>21,888,094</u>
Total revenues	152,476,865	4,344,508	10,337,482	167,158,855
Other Financing Sources:				
Interfund transfers	4,773,445	466,576	4,519,288	9,759,309
Proceeds from long-term obligations	-	<u>4,321,011</u>	<u>-</u>	<u>4,321,011</u>
Total revenues and other financing sources	<u>157,250,310</u>	<u>9,132,095</u>	<u>14,856,770</u>	<u>181,239,175</u>
Expenditures:				
General government support	30,165,070	1,226,291	-	31,391,361
Education	4,026,737	-	-	4,026,737
Public safety	12,408,927	308,100	-	12,717,027
Health	10,793,542	-	-	10,793,542
Transportation	4,782,314	5,863,286	6,603,402	17,249,002
Economic assistance	68,780,193	-	-	68,780,193
Culture and recreation	2,783,156	-	-	2,783,156
Home and community services	1,126,284	1,649,482	4,850,331	7,626,097
Employee benefits	10,520,121	-	1,768,436	12,288,557
Debt principal	3,834,145	-	1,385,845	5,219,990
Debt interest	<u>1,165,213</u>	<u>8,652</u>	<u>303,707</u>	<u>1,477,572</u>
Total expenditures	150,385,702	9,055,811	14,911,721	174,353,234
Other Financing Use:				
Interfund transfers	<u>4,868,864</u>	<u>465,332</u>	<u>1,517,895</u>	<u>6,852,091</u>
Total expenditures and other financing use	<u>155,254,566</u>	<u>9,521,143</u>	<u>16,429,616</u>	<u>181,205,325</u>
Excess (Deficit) Of Revenues And Other Financing Sources Over Expenditures And Other Financing Use				
	1,995,744	(389,048)	(1,572,846)	33,850
Fund Balance - Beginning Of Year				
	<u>7,891,874</u>	<u>2,557,956</u>	<u>4,217,782</u>	<u>14,667,612</u>
Fund Balance - End Of Year				
	<u>\$ 9,887,618</u>	<u>\$ 2,168,908</u>	<u>\$ 2,644,936</u>	<u>\$ 14,701,462</u>

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

COUNTY OF CHEMUNG - STATE OF NEW YORK
 Reconciliation Of The Statement Of Revenues, Expenditures And Changes In Fund Balances Of
 Governmental Funds To The Statement Of Activities
 For The Year Ended December 31, 2008

Net change in fund balances - total governmental funds	\$	33,850
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are the following:		
Capital outlay	10,974,342	
Depreciation expense	<u>(7,873,126)</u>	
Excess of capital outlay over depreciation		3,101,216
Governmental funds report only the proceeds received from the disposal of assets. In the statement of activities, a gain or loss is recorded for each disposal. This is the loss on the disposal of fixed assets:		
		(14,817)
Receipt of bond proceeds is a revenue in the governmental funds, but the receipt increases the liabilities in the statement of net assets. In the current period, these amounts are the following:		
Debt issuance		(4,321,011)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current period, these amounts are the following:		
Debt repayments		5,059,146
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. In the current period, these amounts are the following:		
Compensated absences	(85,219)	
Accrued interest	35,015	
Due to other governments	109,797	
Voluntary termination benefits	175,201	
OPEB liability	<u>(1,719,716)</u>	
Subtotal		(1,484,922)
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.		
		220,783
Amortization of bond issuance costs	<u>(14,625)</u>	
Total other differences		<u>(14,625)</u>
Change in net assets of governmental activities		<u>\$ 2,579,620</u>

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

COUNTY OF CHEMUNG - STATE OF NEW YORK
Statement of Net Assets
Proprietary Funds
December 31, 2008

	Enterprise Funds			Internal Service Funds
	Chemung County Nursing Facility	Chemung Tobacco Asset Securitization Corporation	Total	
ASSETS				
<i>Current Assets:</i>				
Cash and securities	\$ 517,583	\$ 36,791	\$ 554,374	\$ -
Accounts receivable	2,425,625	701,666	3,127,291	2,290,721
State and federal receivables	-	-	-	740
Due from other funds	-	-	-	1,402,369
Inventories	<u>117,059</u>	<u>-</u>	<u>117,059</u>	<u>-</u>
Total current assets	<u>3,060,267</u>	<u>738,457</u>	<u>3,798,724</u>	<u>3,693,830</u>
<i>Noncurrent Assets:</i>				
Restricted cash	-	996,437	996,437	-
Unamortized bond issuance costs	-	179,602	179,602	-
Property, facilities and equipment, net	<u>3,473,233</u>	<u>-</u>	<u>3,473,233</u>	<u>-</u>
Total noncurrent assets	<u>3,473,233</u>	<u>1,176,039</u>	<u>4,649,272</u>	<u>-</u>
Total assets	<u>6,533,500</u>	<u>1,914,496</u>	<u>8,447,996</u>	<u>3,693,830</u>
LIABILITIES				
<i>Current Liabilities:</i>				
Accounts payable	330,292	-	330,292	3,995
Accrued liabilities	-	-	-	2,880,174
Accrued compensation and related liabilities	654,725	-	654,725	-
Current portion of bonds payable	212,177	-	212,177	-
Other accrued expenses	40,799	-	40,799	-
Due to Chemung County	704,667	-	704,667	-
Due to third party payors	<u>178,603</u>	<u>-</u>	<u>178,603</u>	<u>-</u>
Total current liabilities	<u>2,121,263</u>	<u>-</u>	<u>2,121,263</u>	<u>2,884,169</u>
<i>Noncurrent Liabilities:</i>				
Workers' compensation benefits	2,407,860	-	2,407,860	-
Notes and bonds payable	2,699,784	6,628,750	9,328,534	-
OPEB liability	<u>334,312</u>	<u>-</u>	<u>334,312</u>	<u>-</u>
Total noncurrent liabilities	<u>5,441,956</u>	<u>6,628,750</u>	<u>12,070,706</u>	<u>-</u>
Total liabilities	<u>7,563,219</u>	<u>6,628,750</u>	<u>14,191,969</u>	<u>2,884,169</u>
NET ASSETS (DEFICIT)				
Investment in capital assets, net of related debt	561,272	-	561,272	-
Unrestricted	<u>(1,590,991)</u>	<u>(4,714,254)</u>	<u>(6,305,245)</u>	<u>809,661</u>
Total net assets (deficit)	<u>\$ (1,029,719)</u>	<u>\$ (4,714,254)</u>	<u>\$ (5,743,973)</u>	<u>\$ 809,661</u>

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

COUNTY OF CHEMUNG - STATE OF NEW YORK
Statement Of Revenues, Expenditures, And Changes In Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2008

	<u>Enterprise Funds</u>			<u>Internal Service Funds</u>
	<u>Chemung County Nursing Facility</u>	<u>Chemung Tobacco Asset Securitization Corporation</u>	<u>Total</u>	
Operating Revenues:				
Charges for services	\$ 15,229,017	\$ 679,758	\$ 15,908,775	\$ 14,790,312
Other revenue	7,499,814	-	7,499,814	94,159
Investment income	-	46,607	46,607	-
Total operating revenues	<u>22,728,831</u>	<u>726,365</u>	<u>23,455,196</u>	<u>14,884,471</u>
Operating Expenses:				
Personal services	8,265,388	-	8,265,388	-
Employee benefits	4,169,782	-	4,169,782	13,425,781
Contractual expenses	4,831,106	24,227	4,855,333	-
Depreciation	388,216	-	388,216	-
Bond amortization expense	-	12,651	12,651	-
Indirect expense	250,000	-	250,000	-
Interest expense	-	444,264	444,264	-
Workers' compensation benefits	794,829	-	794,829	1,237,907
Postemployment healthcare benefits	334,312	-	334,312	-
Total operating expenses	<u>19,033,633</u>	<u>481,142</u>	<u>19,514,775</u>	<u>14,663,688</u>
Operating Income	<u>3,695,198</u>	<u>245,223</u>	<u>3,940,421</u>	<u>220,783</u>
Nonoperating Revenues (Expenses):				
Intergovernmental transfer	(2,907,218)	-	(2,907,218)	-
Interest expense	(97,023)	-	(97,023)	-
Total nonoperating revenues - net	<u>(3,004,241)</u>	<u>-</u>	<u>(3,004,241)</u>	<u>-</u>
Change In Net Assets	690,957	245,223	936,180	220,783
Net Assets (Deficit) - Beginning Of Year	<u>(1,720,676)</u>	<u>(4,959,477)</u>	<u>(6,680,153)</u>	<u>588,878</u>
Net Assets (Deficit) - End Of Year	<u>\$ (1,029,719)</u>	<u>\$ (4,714,254)</u>	<u>\$ (5,743,973)</u>	<u>\$ 809,661</u>

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

COUNTY OF CHEMUNG - STATE OF NEW YORK
Statement Of Cash Flows
Proprietary Funds
For The Year Ended December 31, 2008

	Chemung County Nursing Facility	Chemung Tobacco Asset Securitization Corporation	Total	Internal Service Funds
Cash Flows From Operating Activities:				
Payments to suppliers	\$ (10,512,546)	\$ -	\$ (10,512,546)	\$ -
Payments to employees	(12,679,752)	-	(12,679,752)	-
Proceeds of tobacco receipts	-	670,696	670,696	-
Interest and dividends received	-	48,981	48,981	-
Receipts from services	15,654,029	-	15,654,029	14,496,177
Payments for workers' comp benefits	-	-	-	(1,264,560)
Payments of operating expenses	-	(28,976)	(28,976)	(13,325,734)
Other receipts	1,244,774	-	1,244,774	94,159
Inter-governmental transfer payments	6,657,689	-	6,657,689	-
Payments of bond interest expense	-	(438,906)	(438,906)	-
Net cash provided by operating activities	<u>364,194</u>	<u>251,795</u>	<u>615,989</u>	<u>42</u>
Cash Flow From Noncapital Financing Activities:				
Transfers from other funds	<u>13,244</u>	-	<u>13,244</u>	-
Cash Flows From Capital And Related Financing Activities:				
Purchase and construction of capital assets	(428,145)	-	(428,145)	-
Proceeds from issuance of bond	744,768	-	744,768	-
Payment of bond and bond anticipation note principal	(169,645)	-	(169,645)	-
Payment of bond and bond anticipation note interest	(97,023)	-	(97,023)	-
Principal repayment of bonds payable	-	(215,000)	(215,000)	-
Net cash provided by (used for) capital and related financing activities	<u>49,955</u>	<u>(215,000)</u>	<u>(165,045)</u>	<u>-</u>
Cash Flows From Investing Activities:				
Increase in restricted cash and investments	-	(13,178)	(13,178)	-
Net Increase In Cash And Cash Equivalents	<u>427,393</u>	<u>23,617</u>	<u>451,010</u>	<u>42</u>
Cash And Cash Equivalents - Beginning	<u>90,190</u>	<u>13,174</u>	<u>103,364</u>	<u>(42)</u>
Cash And Cash Equivalents - Ending	<u>\$ 517,583</u>	<u>\$ 36,791</u>	<u>\$ 554,374</u>	<u>\$ -</u>
 Reconciliation Of Operating Income To Net Cash Provided By				
Operating Activities:				
Operating income	\$ 3,695,198	\$ 245,223	\$ 3,940,421	\$ 220,783
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation expense	388,216	-	388,216	-
Amortization expense	-	12,651	12,651	-
Loss on sale of assets	5,625	-	5,625	-
Bad debts	62,939	-	62,939	-
Consumption of discount on bonds	-	5,358	5,358	-
Unrealized gain	-	(2,374)	(2,374)	-
Change in assets and liabilities:				
Accounts receivable	424,131	-	424,131	-
Other receivables, net	402,649	-	402,649	(37,863)
Due from other funds	-	-	-	(256,387)
State and federal aid receivables	-	-	-	114
Inventory	(24,734)	-	(24,734)	-
Due to Chemung County	(5,483,576)	-	(5,483,576)	-
Tobacco proceeds receivable	-	(9,063)	(9,063)	-
Accounts payable	71,245	-	71,245	3,348
Accrued liabilities	-	-	-	70,047
Accrued compensation and related liabilities	884,559	-	884,559	-
Due to third party payors	(62,058)	-	(62,058)	-
Net cash provided by operating activities	<u>\$ 364,194</u>	<u>\$ 251,795</u>	<u>\$ 615,989</u>	<u>\$ 42</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, 2008

	Workers' Compensation Fund	Self Insurance Fund	Total
ASSETS			
<i>Current Assets:</i>			
Other receivables, net	\$ 2,172,191	\$ 118,530	\$ 2,290,721
Due from other funds	639,016	763,353	1,402,369
State and federal aid receivables	-	740	740
Total assets	2,811,207	882,623	3,693,830
LIABILITIES			
<i>Current Liabilities:</i>			
Accounts payable	3,308	687	3,995
Accrued liabilities	2,001,674	878,500	2,880,174
Total liabilities	2,004,982	879,187	2,884,169
NET ASSETS			
Unrestricted	806,225	3,436	809,661
Total net assets	\$ 806,225	\$ 3,436	\$ 809,661

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

COUNTY OF CHEMUNG - STATE OF NEW YORK
 Combining Statement Of Revenues, Expenditures And Changes In Fund Net Assets
 Internal Service Funds
 For The Year Ended December 31, 2008

	<u>Workers' Compensation Fund</u>	<u>Self Insurance Fund</u>	<u>Total</u>
<i>Operating Revenues:</i>			
Charges for services	\$ 1,364,737	\$ 13,425,575	\$ 14,790,312
Miscellaneous	<u>93,953</u>	<u>206</u>	<u>94,159</u>
Total operating revenues	<u>1,458,690</u>	<u>13,425,781</u>	<u>14,884,471</u>
<i>Operating Expenses:</i>			
Salaries and benefits	-	13,425,781	13,425,781
Services and supplies	<u>1,237,907</u>	<u>-</u>	<u>1,237,907</u>
Total operating expenses	<u>1,237,907</u>	<u>13,425,781</u>	<u>14,663,688</u>
<i>Change In Net Assets</i>	220,783	-	220,783
<i>Net Assets - Beginning Of Year</i>	<u>585,442</u>	<u>3,436</u>	<u>588,878</u>
<i>Net Assets - End Of Year</i>	<u>\$ 806,225</u>	<u>\$ 3,436</u>	<u>\$ 809,661</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, 2008

	Workers' Compensation Fund	Self Insurance Fund	Total
Cash Flows From Operating Activities:			
Receipts from services	\$ 1,170,649	\$ 13,325,528	\$ 14,496,177
Payments for workers' compensation benefits	(1,264,560)	-	(1,264,560)
Payments to employees for services and benefits	-	(13,325,734)	(13,325,734)
Other receipts	93,953	206	94,159
Net cash provided by operating activities	42	-	42
Net Increase In Cash And Cash Equivalents	42	-	42
Cash And Cash Equivalents - Beginning	(42)	-	(42)
Cash And Cash Equivalents - Ending	\$ -	\$ -	\$ -
Reconciliation Of Operating Income To Net Cash Provided By			
Operating Activities:			
Operating income	\$ 220,783	\$ -	\$ 220,783
Adjustments to reconcile operating income to net cash used for operating activities:			
Change in assets and liabilities:			
Other receivables, net	29,216	(67,079)	(37,863)
Due from other funds	(223,304)	(33,083)	(256,387)
State and federal aid receivables	-	114	114
Accounts payable	2,942	406	3,348
Accrued liabilities	(29,595)	99,642	70,047
Net Cash Provided By Operating Activities	\$ 42	\$ -	\$ 42

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, 2008

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents, unrestricted	\$ 421,596
Other receivables, net	340,642
Due from external parties	1,570,124
Investments	<u>177,082</u>
Total assets	<u><u>2,509,444</u></u>
LIABILITIES	
Accounts payable	47,261
Accrued liabilities	924
Other liabilities	<u>2,461,259</u>
Total liabilities	<u><u>\$ 2,509,444</u></u>

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

COUNTY OF CHEMUNG - STATE OF NEW YORK
Statement Of Net Assets
Component Units
December 31, 2008

	Industrial Development Agency	Soil and Water Conservation District	Total
ASSETS			
<i>Current Assets:</i>			
Cash and cash equivalents, unrestricted	\$ 142,495	\$ 396,772	\$ 539,267
Other receivables, net	23,661	-	23,661
Grants receivable	26,969	-	26,969
Prepaid expenditures	4,787	-	4,787
Current portion of loans receivable	<u>188,757</u>	<u>-</u>	<u>188,757</u>
Total current assets	<u>386,669</u>	<u>396,772</u>	<u>783,441</u>
<i>Noncurrent Assets:</i>			
Loans receivable, net	2,125,697	-	2,125,697
Reimbursement receivable, net	28,381	-	28,381
Restricted asset, revolving loan fund	265	-	265
Capital assets, net	17,325,053	-	17,325,053
Other assets	<u>173,561</u>	<u>-</u>	<u>173,561</u>
Total noncurrent assets	<u>19,652,957</u>	<u>-</u>	<u>19,652,957</u>
Total assets	<u>20,039,626</u>	<u>396,772</u>	<u>20,436,398</u>
LIABILITIES			
<i>Current Liabilities:</i>			
Accounts payable	263,448	-	263,448
Current portion of loans payable	<u>875,573</u>	<u>-</u>	<u>875,573</u>
Total current liabilities	<u>1,139,021</u>	<u>-</u>	<u>1,139,021</u>
<i>Noncurrent Liabilities:</i>			
Loans payable, net of current portion	11,950,480	-	11,950,480
Deferred revenue - revolving loan fund	<u>265</u>	<u>-</u>	<u>265</u>
Total noncurrent liabilities	<u>11,950,745</u>	<u>-</u>	<u>11,950,745</u>
Total liabilities	<u>13,089,766</u>	<u>-</u>	<u>13,089,766</u>
NET ASSETS			
Investment in capital assets, net of related debt	5,363,568	-	5,363,568
Unrestricted	<u>1,586,292</u>	<u>396,772</u>	<u>1,983,064</u>
Total net assets	<u>\$ 6,949,860</u>	<u>\$ 396,772</u>	<u>\$ 7,346,632</u>

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

COUNTY OF CHEMUNG - STATE OF NEW YORK
Statement Of Revenues, Expenditures And Changes In Fund Net Assets
Component Units
For The Year Ended December 31, 2008

	Industrial Development Agency	Soil and Water Conservation District	Total
Operating Revenues:			
Development grants and reimbursements	\$ 650,000	\$ -	\$ 650,000
Rental income	1,266,798	-	1,266,798
Fee income	186,885	-	186,885
Loss on sale of assets	(46,865)	-	(46,865)
Other revenue	-	6,898	6,898
Interest and earnings	72,220	8,973	81,193
Charges for services	-	75,420	75,420
Operating grants and contributions	-	980,293	980,293
Rental of real property	-	1,840	1,840
Total operating revenues	2,129,038	1,073,424	3,202,462
Operating Expenses:			
Development grants and project costs	1,364,467	-	1,364,467
Property and insurance expenses	22,422	-	22,422
Depreciation	531,447	-	531,447
Interest expense	834,496	-	834,496
Other expenses	44,890	-	44,890
Personal service	-	165,809	165,809
Equipment/capital outlay	-	35,729	35,729
Contractual	-	806,420	806,420
Employee benefits	-	60,322	60,322
Non expense distribution	-	89,564	89,564
Total operating expenses	2,797,722	1,157,844	3,955,566
Change In Net Assets	(668,684)	(84,420)	(753,104)
Net Assets - Beginning Of Year	7,618,544	481,192	8,099,736
Net Assets - End Of Year	\$ 6,949,860	\$ 396,772	\$ 7,346,632

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

Note 1. Summary of Significant Accounting Policies:

Financial Reporting Entity

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

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

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

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

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

Chemung County Soil and Water Conservation District - (the "District") is a County-wide district created by the County Legislature to provide for the control and conservation of soil and water resources. Members of the board of directors are appointed by the County Legislature. These directors have sole control of the management and operation of the district. The County provides a portion of the district's funding. The County's subsidy for 2008 was \$150,000. The District is considered a component unit and is discretely presented. The Soil and Water Conservation District uses the current financial resources measurement focus and modified accrual accounting.

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

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

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

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

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

Basis of Presentation

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

The accounting system is organized and separated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities of the government and attaining certain objectives in accordance with special regulations, restrictions or limitations. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining funds are aggregated and reported as non-major funds. There are three categories of funds: governmental, proprietary, and fiduciary.

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

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

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

Modified Accrual Basis - The governmental fund financial statements are accounted for using the modified accrual basis of accounting and use the current financial resources measurement focus. Under the modified accrual basis revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Measurable means that the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to finance any of the liabilities of the current period. For the County, available means expected to be received within sixty days of year end. With this measurement focus, only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

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

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

Use of Estimates

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

Cash and Cash Equivalents

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

Investment Policy

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

Interfund Receivables and Payables

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

Interfund Transactions

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

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

Capital Assets

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

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

	<u>Capitalization Threshold</u>	<u>Years</u>
Construction in progress	All assets	N/A
Land	All assets	N/A
Land improvements	\$5,000	20-100
Buildings	All assets	15-80
Building improvements	\$5,000	10-80
Infrastructure	\$5,000	6-100
Furniture, equipment, software and vehicles	\$5,000	5-15
Works of art & historical treasures	All assets	N/A

Accounts Payable, Accrued Liabilities and Long-Term Obligations

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

Compensated Absences, Vacation and Sick Leave

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

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

Sick time is awarded on a monthly basis to those employees on the payroll for more than 50% of the month. Employees can carry forward up to 250 sick days. Employees hired before January 1, 1981 receive a percentage of their unused sick time upon separation from service with the County. Employees hired after December 31, 1980 receive a percentage of their unused sick time only upon retirement. The sick time liability was estimated by taking a percentage of unused sick time multiplied by the hourly rate for employees in retirement tiers 1 through 3. Tier three ended in 1983, the estimate would therefore, include all individuals hired prior to January 1, 1981 as well as most of those employees eligible for retirement based on age and years of service.

Net Assets

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

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

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

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

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

Governmental Fund Balance Reserves

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

Operating Revenues and Expenses

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

Property Taxes

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

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

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

Note 2. Compliance and Accountability:

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

Note 3. Deposits and Investments:

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

- By a pledge of eligible securities: with an aggregate "market value", as provided by General Municipal Law, Section 10, equal to the aggregate amount of deposits from the categories designated as acceptable investments in the County investment policy.
- By an eligible irrevocable letter of credit issued by a qualified bank other than the bank with the deposits in favor of the County for a term not to exceed 90 days with an aggregate value equal to 140% of the aggregate amount of deposits and the agreed upon interest, in any. A qualified bank is one whose commercial paper and other unsecured short-term debt obligations are rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization or by a bank that is in compliance with Federal minimum risk-based capital requirements.
- By an eligible surety bond payable to the County of Chemung for an amount at least equal to 100% of the aggregate amount of deposits and the agreed upon interest, if any, executed by an insurance company authorized to do business in the State of New York, whose claims-paying ability is rated in the highest rating category by at least two (2) nationally recognized statistical rating organizations.

Security on deposits and investments is categorized based on the level of credit risk. The categories of credit risk are defined as follows:

Category 1	Insured by the Federal Deposit Insurance Corporation or securities held by the County or by an agent of the County in the County's name.
Category 2	Securities held by the pledging financial institution's trust department or an agent in the County's name.
Category 3	Uncollateralized or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the County's name; or collateralized with no written collateral agreement.

At year end, the carrying amount of the County's deposits was \$1,287,883, which excludes enterprise funds. Of the bank balance, the following were the bank balances according to risk categories:

	Total	Category 1	Category 2	Category 3
Cash deposits	\$ 6,509,447	\$ 3,014,084	\$ 3,495,363	\$ -

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

Note 4. Receivables:

Real property taxes receivable at December 31, 2008 were \$8,692,859. Included in the real property taxes receivable are returned city, village, and school taxes of \$2,321,347 which are offset by liabilities to the cities, villages, and school districts. The remaining amount of tax receivables are offset by deferred tax revenue of \$3,081,741 and represents an estimate of tax liens, which will not be collected within the first sixty (60) days of the subsequent year. City, village, and school district taxes not collected by the respective entity have been or will be re-levied with the County tax levy the following year.

Other governmental activity receivables consist of funds claimed but not received from various state and federal sources of \$16,207,001 at December 31, 2008, as well as funds receivable for services rendered by departments such as the Airport, Solid Waste and the Sewer Districts of \$7,536,604 at December 31, 2008.

Note 5. Long-Term Solid Waste Lease Agreement:

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

Under the terms of the agreement, Casella will be responsible for all closure and post-closure costs. Accordingly, the long-term liability for landfill closure and post closure costs has been removed from the general long-term debt. Casella has issued a performance bond to the County to assure their obligations under the terms of the agreement.

Minimum lease payments are as follows:

2009	\$ 1,000,000
2010	1,000,000
2011	1,000,000
2012	1,000,000
2013	1,000,000
Thereafter	<u>16,000,000</u>
Total	<u>\$ 21,000,000</u>

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Note 6. Capital Assets:

Capital asset activity for the year ended December 31, 2008 was as follows:

	<u>Balance</u> <u>12/31/2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2008</u>
Governmental Activities:				
<i>Capital Assets Not Depreciated:</i>				
Land	\$ 15,710,890	\$ -	\$ -	\$ 15,710,890
Construction in progress	<u>4,199,076</u>	<u>-</u>	<u>(1,523,397)</u>	<u>2,675,679</u>
Total capital assets not depreciated	<u>19,909,966</u>	<u>-</u>	<u>(1,523,397)</u>	<u>18,386,569</u>
 <i>Capital Assets Depreciated:</i>				
Land improvements	1,030,722	-	-	1,030,722
Buildings and building improvements	58,753,648	167,502	-	58,921,150
Infrastructure	94,989,187	10,305,844	-	105,295,031
Furniture, equipment and vehicles	<u>24,984,159</u>	<u>2,024,393</u>	<u>(354,206)</u>	<u>26,654,346</u>
Total capital assets depreciated	<u>179,757,716</u>	<u>12,497,739</u>	<u>(354,206)</u>	<u>191,901,249</u>
 <i>Less - Accumulated Depreciation:</i>				
Land improvements	396,862	50,348	-	447,210
Buildings and building improvements	17,441,569	918,499	-	18,360,068
Infrastructure	34,092,684	4,797,509	-	38,890,193
Furniture, equipment and vehicles	<u>14,683,814</u>	<u>2,106,770</u>	<u>(339,389)</u>	<u>16,451,195</u>
Total accumulated depreciation	<u>66,614,929</u>	<u>7,873,126</u>	<u>(339,389)</u>	<u>74,148,666</u>
Total capital assets depreciated, net	<u>113,142,787</u>	<u>4,624,613</u>	<u>(14,817)</u>	<u>117,752,583</u>
Governmental Activities Capital Assets, Net	<u>\$ 133,052,753</u>	<u>\$ 4,624,613</u>	<u>\$ (1,538,214)</u>	<u>\$ 136,139,152</u>

Depreciation expense was charged to governmental functions as follows:

General government support	\$ 316,072
Public safety	666,106
Health	121,430
Transportation	5,975,892
Economic assistance	65,853
Culture and recreation	106,255
Home and community services	<u>621,518</u>
Total depreciation expense for governmental activities	<u>\$ 7,873,126</u>

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

	Balance 12/31/2007	Increases	Decreases	Balance 12/31/2008
Business-type Activities:				
<i>Capital Assets Not Depreciated:</i>				
Land	\$ 48,287	\$ -	\$ -	\$ 48,287
 <i>Capital Assets Depreciated:</i>				
Land improvements	306,998	-	-	306,998
Building and fixed equipment	8,529,688	326,070	(78,955)	8,776,803
Movable equipment	<u>1,825,264</u>	<u>102,075</u>	<u>(19,557)</u>	<u>1,907,782</u>
Total capital assets depreciated	<u>10,661,950</u>	<u>428,145</u>	<u>(98,512)</u>	<u>10,991,583</u>
 <i>Less - Accumulated Depreciation</i>				
Land improvements	291,531	4,948	-	296,479
Buildings and fixed equipment	5,658,026	261,236	(73,330)	5,845,932
Movable equipment	<u>1,321,751</u>	<u>122,032</u>	<u>(19,557)</u>	<u>1,424,226</u>
Total accumulated depreciation	<u>7,271,308</u>	<u>388,216</u>	<u>(92,887)</u>	<u>7,566,637</u>
Total capital assets depreciated, net	<u>3,390,642</u>	<u>39,929</u>	<u>(5,625)</u>	<u>3,424,946</u>
Business-type Activities Capital Assets, Net	<u>\$ 3,438,929</u>	<u>\$ 39,929</u>	<u>\$ (5,625)</u>	<u>\$ 3,473,233</u>

Note 7. Pension Plan:

The County participates in the New York State and Local Employees' Retirement System (ERS). This is a cost sharing multiple employer system that provides retirement benefits as well as death and disability benefits. The County's contribution for 2008 and the three preceding years was as follows:

	2008	2007	2006	2005
General pension contribution	\$ 3,316,704	\$ 3,923,227	\$ 3,815,090	\$ 4,105,481
Contribution for early retirement incentive	-	<u>175,201</u>	<u>175,201</u>	<u>466,915</u>
Total pension contribution	<u>\$ 3,316,704</u>	<u>\$ 4,098,428</u>	<u>\$ 3,990,291</u>	<u>\$ 4,572,396</u>

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

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

Note 8. Deferred Compensation:

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

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The Small Business Job Protection Act of 1996 was signed into law on August 20, 1996. As a result of this legislation, all 457 program assets must now be held in a trust, custodial account or annuity contract for the exclusive benefit of plan participants and their beneficiaries. Plan assets are no longer subject to claims of public entities' creditors during financial crisis.

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

As of December 31, 2008, employee contributions to the plan totaled \$388,057, which is not displayed in the financial statements.

Note 9. Risk Retention:

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

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

			Current Year		
	<u>Beginning Balance</u>	<u>in Estimates (Net)</u>	<u>Claim Payments</u>	<u>Ending Balance</u>	
2007	\$ 1,718,820	\$ 529,949	\$ (217,500)	\$ 2,031,269	
2008	\$ 2,031,269	\$ 236,405	\$ (266,000)	\$ 2,001,674	

Note 10. Commitments and Contingencies:

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

COUNTY OF CHEMUNG - STATE OF NEW YORK
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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 twelve month period until the obligation is completely extinguished.

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

Short-term debt outstanding at December 31, 2008 is as follows:

	Balance 12/31/2007	Additions	Reductions	Balance 12/31/2008
Governmental Activities:				
Bond Anticipation Notes	\$ 239,019	\$ -	\$ -	\$ 239,019

Short-term debt at December 31, 2008 consists of BANS of \$239,019 for the Brewer Oil Brown Field Clean-up Project. There was no short-term borrowing for business-type activities during 2008.

Note 12. Long-Term Debt:

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

The County's constitutional debt limit for 2008, as defined by New York State Local Finance Law is \$212,744,812. The County's qualified debt for that period is \$41,603,092 or 20% of the constitutional debt limit.

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

	Balance 12/31/2007	Additions	Reductions	Balance 12/31/2008	Amounts Due Within One Year
Governmental Activities:					
General obligation bonds payable	\$ 39,312,266	\$ 4,321,011	\$ (4,942,146)	\$ 38,691,131	\$ 3,937,602
Compensated absences	2,580,972	85,219	-	2,666,191	983,558
OPEB liability	1,534,736	1,719,716	-	3,254,452	-
	\$ 43,427,974	\$ 6,125,946	\$ (4,942,146)	\$ 44,611,774	\$ 4,921,160
Business-type Activities:					
General obligation bonds payable	\$ 2,336,838	\$ 744,768	\$ (169,645)	\$ 2,911,961	\$ 212,177
Tobacco settlement bonds	6,838,392	-	(209,642)	6,628,750	-
Workers' compensation	1,614,751	793,109	-	2,407,860	-
OPEB liability	-	334,312	-	334,312	-
	\$ 10,789,981	\$ 1,872,189	\$ (379,287)	\$ 12,282,883	\$ 212,177

COUNTY OF CHEMUNG - STATE OF NEW YORK
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Current year debt service payments and balances at December 31, 2008 are as follows:

<u>Bond</u>	<u>2008</u>		<u>Balance at December 31, 2008</u>		
	<u>Interest Payments</u>	<u>Principal Payments</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Public Improvement Bond, 04/01/88 - This bond has staggered maturities from 1989-2008. It carried an interest rate that starts at 7.00% and rises to 7.25%. Interest payments were made twice annually. The bonding covered capital projects and purchases for the Sewer District, Solid Waste District, Nursing Facility and various general fund projects. This bond matured and was paid off in 2008.	\$ 10,875	\$ 300,000	\$ -	\$ -	\$ -
Public Improvement Bond, 05/01/89 - This bond has staggered maturities from 1990-2009. It carries an interest rate that starts at 7.00% and rises to 7.25%. Interest payments are made bi-annually. The bonding covers capital projects and purchases for the Sewer District, Solid Waste District and various general fund projects.	6,525	60,000	60,000	60,000	-
Public Improvement Bond, 07/15/91 - This bond has staggered maturities from 1992-2010. It carries an interest rate that starts at 6.75% and rises to 6.80%. Interest payments are made bi-annually. The bonding covers capital projects and purchases for the Nursing Facility, Solid Waste District and various general fund projects.	73,100	575,000	500,000	500,000	-
Public Improvement Bond, 07/15/92 - This bond had staggered maturities from 1993-2008. It carried an interest rate that starts at 5.20% and rises to 5.50%. Interest payments were made bi-annually. The bonding covered capital projects and purchases for the Solid Waste District and various general fund projects. This bond matured and was paid off in 2008.	7,563	275,000	-	-	-
Public Improvement Bond, 07/15/92 - This bond has staggered maturities from 1993-2012. It carries an interest rate that starts at 5.40% and rises to 5.50%. Interest payments are made bi-annually. The bonding covers capital projects and purchases for various general fund projects.	103,125	375,000	1,500,000	1,500,000	-
Public Improvement Bond, 07/20/93 - This bond had staggered maturities from 1994-2008. It carried an interest rate that starts at 2.60% and rises to 5.10%. Interest payments were made bi-annually. The bonding covered capital projects and purchases for various general fund projects. This bond matured and was paid off in 2008.	3,825	150,000	-	-	-

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<u>Bond</u>	<u>Interest Payments</u>	<u>Principal Payments</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Public Improvement Bond, 07/15/94 - This bond has staggered maturities from 1995-2009. It carries an interest rate that starts at 4.80% and rises to 5.40%. Interest payments are made bi-annually. The bonding covers capital projects and purchases for the Solid Waste District and various general fund projects.	9,450	200,000	75,000	75,000	-
Public Improvement Bond, 08/20/97 - This bond has staggered maturities from 1998-2011. It carried an interest rate that starts at 4.75% and rises to 5.25%. Interest payments were made bi-annually. The bonding covers capital projects and purchases for the Nursing Facility and various general fund projects.	-	786,493	2,600,313	2,467,430	132,883
Public Improvement Bond, 06/15/98 - This bond has staggered maturities from 1999-2018. It carries an interest rate that starts at 4.50% and rises to 4.55%. Interest payments are made bi-annually. The bonding covers capital projects and purchases for the Solid Waste District and various general fund projects.	48,805	360,000	900,000	900,000	-
Public Improvement Bond, 08/15/01 - This bond has staggered maturities from 2002-2021. It carries an interest rate that starts at 4.50% and rises to 4.75%. Interest payments are made bi-annually. The bonding covers capital projects and purchases for the Nursing Facility, Sewer District, Solid Waste District and various general fund projects.	128,325	145,000	2,640,000	2,550,432	89,568
Public Improvement Bond, 03/15/02 - This bond has staggered maturities from 2003-2016. It carries an interest rate that starts at 4.25% and rises to 5.00%. Interest payments are made bi-annually. The bonding covers capital projects and purchases for various general fund projects.	136,625	280,000	2,725,000	2,725,000	-

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<u>Bond</u>	<u>Interest Payments</u>	<u>Principal Payments</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Public Improvement Bond, 08/15/03 - This bond has staggered maturities from 2004-2021. It carries an interest rate that starts at 4.25% and rises to 4.60%. Interest payments are made bi-annually. The bonding covers capital projects and purchases for various general fund projects.	177,550	220,000	3,840,000	3,795,837	44,163
Public Improvement Bond, 06/15/04 - This bond has staggered maturities from 2005-2017. It carries an interest rate that starts at 4.125% and rises to 4.40%. Interest payments are made bi-annually. The bonding covers capital projects and purchases for various general fund and Nursing Facility projects.	117,280	240,000	2,650,000	2,472,917	177,083
Public Improvement Bond, 08/15/05 - This bond has staggered maturities from 2006-2020. It carries an interest rate that starts at 3.80% and rises to 4.00%. Interest payments are made bi-annually. The bonding covers capital projects and purchases for various general fund and Nursing Facility projects.	229,448	355,000	5,555,000	4,414,775	1,140,225
Public Improvement Bond, 11/01/06 - This bond has staggered maturities from 2007-2021. It carries an interest rate that starts at 3.75% and rises to 4.00%. Interest payments are made bi-annually. The bonding covers capital projects and purchases for various general fund and Nursing Facility projects.	158,950	219,998	3,845,001	3,633,910	211,091
Public Improvement Bond, 8/15/07 - This bond has staggered maturities from 2008-2027. It carries an interest rate that starts at 4.125% and rises to 4.25%. Interest payments are made bi-annually. The bonding covers capital projects and purchases for various general fund and Nursing Facility projects.	271,570	207,298	6,195,000	5,901,014	293,986
Public Improvement Refunding Bond, 2/15/08 - This bond has staggered maturities from 2008-2015. It carries an interest rate that starts at 4.00% and rises to 4.25%. Interest payments are made bi-annually. The bonding covers capital projects and purchases for various general fund and Nursing Facility projects. Debt issuance costs relating to this refunding are recorded on the statement of net assets as of December 31, 2008 for \$102,375, net of amortization.	90,366	480,000	3,455,000	3,373,808	81,192

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Bond	Interest Payments	Principal Payments	Total	Governmental Activities	Business-type Activities
Clear Water State Revolving Fund, 7/08/08 - This is an interest free bond that requires annual principal payments of \$29,752. The bond matures in July 2038.	-	-	892,535	892,535	-
Public Improvement Bond, 9/15/08 - This bond has staggered maturities from 2009-2023. It carries an interest rate that starts at 4.00% and rises to 4.25%. Interest payments are made bi-annually. The bonding covers capital projects and purchases for various general fund and Nursing Facility projects.	-	-	4,170,246	3,428,476	741,770
Total general obligation bonds	<u>1,573,382</u>	<u>5,228,789</u>	<u>41,603,095</u>	<u>38,691,134</u>	<u>2,911,961</u>
Tobacco Trust/Tobacco Settlement Pass-Through Bond, 12/07/00 - The face value of the bond was \$8,090,000 and was sold at a discount of \$116,695. The discount is being amortized over the life of the bond. The bond will mature on June 1, 2026. Interest ranges from 4.90%-6.40%. As of December 31, 2008 the face value of the bond was \$6,705,000 and the remaining discount was \$76,250.	444,264	209,642	6,628,750	-	6,628,750
Total principal and interest	\$ <u>2,017,646</u>	\$ <u>5,438,431</u>			
Total bonds payable			48,231,845	38,691,134	9,540,711
Less, current portion general obligation bonds			<u>4,149,779</u>	<u>3,937,602</u>	<u>212,177</u>
			\$ <u>44,082,066</u>	\$ <u>34,753,532</u>	\$ <u>9,328,534</u>

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

	Total		Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 4,149,779	\$ 1,613,602	\$ 3,937,602	\$ 1,502,117	\$ 212,177	\$ 111,485
2010	4,165,666	1,467,741	3,944,186	1,362,966	221,480	104,775
2011	4,054,371	1,321,278	3,824,217	1,223,512	230,154	97,766
2012	3,254,753	1,187,720	3,063,636	1,097,258	191,117	90,462
2013	2,924,755	1,050,765	2,726,258	967,905	198,497	82,860
2014 - 2018	13,168,750	3,479,335	12,108,904	3,188,575	1,059,846	290,760
2019 - 2023	7,683,755	1,155,109	6,968,314	1,065,118	715,441	89,991
2024 - 2028	1,903,756	190,613	1,820,507	181,576	83,249	9,037
2029 - 2033	148,755	-	148,755	-	-	-
2034 - 2038	148,755	-	148,755	-	-	-
	<u>\$ 41,603,095</u>	<u>\$ 11,466,163</u>	<u>\$ 38,691,134</u>	<u>\$ 10,589,027</u>	<u>\$ 2,911,961</u>	<u>\$ 877,136</u>

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

	<u>Fixed</u> <u>Amortization</u>	<u>Flexible</u> <u>Amortization</u>	<u>Total</u> <u>Amortization</u>
2009	\$ 35,000	\$ 200,000	\$ 235,000
2010	40,000	225,000	265,000
2011	45,000	225,000	270,000
2012	50,000	235,000	285,000
2013	60,000	240,000	300,000
Thereafter	<u>675,000</u>	<u>4,675,000</u>	<u>5,350,000</u>
	<u>\$ 905,000</u>	<u>\$ 5,800,000</u>	<u>\$ 6,705,000</u>

Note 13. Reserves:

The County has the following reserve funds for the following purposes at December 31, 2008:

Governmental Activities

General Fund:

Reserve for FAA projects	\$ 968,708
Other reserves	<u>236,456</u>
Total	<u>1,205,164</u>

Capital Projects Fund:

Reserve for capital projects	<u>508,002</u>
Total Governmental Activities Reserved Fund Balance	\$ <u>1,713,166</u>

Note 14. Chemung County Nursing Facility - Enterprise Fund:

Summary of Significant Accounting Policies

Basis of Reporting - The accompanying financial statements reflect the financial activity of the Chemung County Nursing Facility (the "Facility") on the accrual basis of accounting. The Facility is a 200-bed skilled nursing facility funded primarily through Medicaid, Medicare, and private fees. The Facility is not a legal entity, but rather an enterprise fund within the County. The County has proprietary interest in all assets and the responsibility for all obligations of the Facility. The Facility's accounts are segregated into a separate enterprise fund.

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

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

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

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of the individual receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off through charges to the valuation allowance and a credit to the applicable accounts receivable. The allowance for doubtful accounts at December 31, 2008 was \$200,000.

Revenue from Medicaid and Medicare accounted for approximately 55% of the Facility's total revenue for the year ended December 31, 2008. Laws and regulations governing Medicaid and Medicare are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Inventories - Inventories, consisting of supplies for various departments, are stated at the lower of cost (first-in, first-out method) or market.

Property, Facilities and Equipment - Property, facilities, and equipment are stated on the basis of cost. Depreciation and amortization are computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from five to forty years.

Expenditures for renewals and betterments are capitalized while expenditures for repairs and maintenance are charged to operations as incurred. Upon sale or retirement, the related cost and allowances for depreciation or amortization are removed from the accounts and the related gain or loss is reflected in operations.

Use of Estimates - The preparation of financial statements in conformity with accounting principals generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Third-Party Reimbursement

The Medicaid program provides for reimbursement to nursing homes on a prospective basis with no provision for retroactive adjustments other than those resulting from audit by the third-party agency, which involve either errors in the original cost reports used by such agencies to develop the prospective rates or changes in regulations promulgated by the Courts. Based upon 2006 New York State legislation, the nursing home reimbursement system was revised. Providers now receive a reimbursement rate which is the greater of the old 1983 base year or the new 2002 base year. A facility entitled to a higher rate receives the increase phased in over a three year implementation period. The Facility will receive an increase based on estimated rate calculations, however this amount cannot be reasonably estimated at December 31, 2008. Adjustments resulting from third-party audits are generally made by withholding amounts from current remittances or adjusting future reimbursement rates. Under the Medicare program, nursing homes are reimbursed for defined costs of services rendered to patients. During the year, the Medicare intermediary makes interim payments which are tentatively adjusted upon filing various cost reports and are subject to final adjustment upon audit.

Medicaid prior year retroactive adjustments, which amounted to \$89,430 and covered the period January 2005 to December 2007, were recorded as a decrease in operating revenue for the year ended December 31, 2008.

In previous years, the New York State Public Health Law has provided for payments to non-state operated public residential healthcare facilities based on Medicaid days. This funding, which is an "Inter-Governmental Transfer (IGT)", has historically been received through the County. The anticipated 2006 IGT of \$588,579 was recorded as revenue and a receivable at December 31, 2006. Since this anticipated funding was never received, it was written off in 2007 as a prior year rate, audit and other adjustment. Subsequently, during 2008, IGT revenues for 2006 through 2008 of \$6,657,629 were received by the Facility.

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

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

Due to third party payors, as reflected in the accompanying balance sheet, are generally payable as a 10% maximum withholding from current Medicaid remittances. At December 31, 2008, the amount payable to New York State Department of Health for Medicaid rate adjustments was \$178,603.

Disadvantaged Facility Funding - The New York State Health and Medicaid budget bill passed in 2004 provided for additional state funding to be available over a two-year period as a short-term relief measure for financially distressed facilities. The money was intended to be distributed according to a formula methodology based on a rolling three-year average of a facility's operating margin. During 2008, both the 2006 and 2007 funding amount of \$394,394 and \$406,176, respectively, were received.

Employee and Retiree Benefits

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

The Facility makes pension payments to the System based on the salaries of participating employees multiplied by the most recent rates available from the System plus a calculation for early retirement incentives. The pension contribution for the year ended December 31, 2008 amounted to \$627,387.

Workers' Compensation Benefits

Workers' compensation benefits are provided by the Facility to their employees through the County's self-insured programs. The cost of the benefits (net of reimbursement from New York State) for non-permanent disability are expensed as claims incurred and have been included as employee benefits expense in the accompanying statements of activities and changes in net assets. Certain workers' compensation cases have been ruled by the Workers' Compensation Board as permanent disability. Benefits for such claims are awarded for the life of the claimants and discharged only upon death or when the claimant returns to work full-time. At December 31, 2008, thirty-three of the Facility's claimants met the requirements for eligibility of lifetime benefits. Although the actuarially computed value of these claims is not available as of December 31, 2008, using the present value method, the Facility has recorded an estimated liability of \$2,505,715 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 \$97,855 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, 2008 consisted of the following:

Due To:	Due From:					Total
	General Fund	Capital Projects Fund	Other Governmental Funds	Internal Service Funds	Nursing Facility	
General Fund	\$ -	\$ 3,308,435	\$ 3,187,334	\$ 1,036,555	\$ 7,976,477	\$ 15,508,801
Capital Projects Fund	-	-	1,284,101	-	428,299	1,712,400
Other Governmental Funds	919,107	117,000	-	1,841,411	-	2,877,518
Internal Service Funds	10,488,050	-	-	-	-	10,488,050
Nursing Facility	-	-	-	9,105,887	-	9,105,887
	<u>\$ 11,407,157</u>	<u>\$ 3,425,435</u>	<u>\$ 4,471,435</u>	<u>\$ 11,983,853</u>	<u>\$ 8,404,776</u>	<u>\$ 39,692,656</u>

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

Transfers are used to:

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

Note 16. Interfund Transfers:

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

<u>Transfer In:</u>	<u>Transfer Out:</u>				<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Nursing Facility</u>	
General Fund	\$ -	\$ 465,332	\$ 1,400,895	\$ 2,907,218	\$ 4,773,445
Capital Projects Fund	349,576	-	117,000	-	466,576
Other Governmental Funds	4,519,288	-	-	-	4,519,288
Nursing Facility	-	-	-	-	-
	<u>\$ 4,868,864</u>	<u>\$ 465,332</u>	<u>\$ 1,517,895</u>	<u>\$ 2,907,218</u>	<u>\$ 9,759,309</u>

Transfers are used to:

- (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them
- (2) 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 2008, there were no contributions from the County. As of December 31, 2008, there was no outstanding indebtedness. Audited financial statements may be obtained from the Administrative Offices of the Southern Tier Central Regional Planning Board located at 4-8 Denison Parkway, Corning, New York 14830.

Community College Region - The Corning Community College is operated jointly by the Counties of Chemung, Steuben and Schuyler. The County of Chemung included approximately \$4.0 million in its 2008 real property tax levy to help finance the College's expenditures. In 2008, the County expended \$4,026,737 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, 2008:

	<u>All Funds</u>
Total assets	\$ 38,189,873
Total liabilities	\$ 19,297,468
Net assets	\$ 18,892,405
Total revenues	\$ 37,983,512
Total expenses	\$ 38,256,823

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

Note 18. Chemung Tobacco Asset Securitization Corporation:

Nature of Organization

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

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

The Corporation was formed to raise funds by issuing bonds, use those funds to acquire the rights to future proceeds from a settlement agreement with various tobacco companies payable to the County, and remain in existence during the term of the bonds to collect the tobacco settlement proceeds and service the debt.

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

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

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

Basis of Presentation

The preparation of financial statements is in conformity with accounting principles generally accepted in the United States of America and follows the guidance set forth by the Governmental Accounting Standards Board Statement No. 29, "The Use of Not-for-Profit Accounting and Financial Reporting Principles by Governmental Entities".

Tobacco Settlement Proceeds Receivable

This asset represents estimated payments to be received from the MSA between various tobacco manufacturers and state and local governments. The MSA resolved cigarette smoking-related litigation between the manufacturers and the states. The right to receive the payments was acquired by the Corporation through a purchase from the County.

Restricted Cash - Liquidity Reserve

The Corporation is required to place a portion of the bond proceeds in trust as a reserve to partially secure payments to the bond holders. The restriction on these funds will be released as the bonds mature and are paid. As of December 31, 2008, the restricted cash - liquidity reserve amounted to \$656,212.

Restricted Cash - Trapping Reserve

The Corporation is required to place a portion of the bond proceeds in excess of debt service and operational expenses in this account when a "trapping" event occurs. The trapping events include "consumption decline", "downgrade", "lump sum" and "NPM" trapping requirements. During 2003, a downgrade trapping event occurred whereby an Original Participating Manufacturer, with a market share of 7% or more, received a credit rating below "Baa3" by Moody's or "BBB" by Standard & Poors. The downgrade event requires that an amount equal to 25% of the outstanding bond principal be trapped until one year after the end of the downgrade trapping condition. As of December 31, 2008, there were insufficient available assets to fully satisfy the 25% trapping requirement. Future payments of residual certificates will be suspended, and available monies trapped, until the 25% trapping requirement is satisfied or the downgrade condition is removed. The Corporation began funding this account during 2003 and the outstanding balance at December 31, 2008 was \$317,321.

Restricted Securities - Held in Trust

Tobacco proceeds are held in trust by M & T on behalf of the Corporation. M & T invests the proceeds in highly liquid, interest bearing securities, and performs the transfer of the debt obligations upon the instruction of Bond Logistics, the administrator retained by the Corporation. As of December 31, 2008, the restricted cash - held in trust amounted to \$22,904.

Residual Receivable/Payable to Chemung County

The Corporation receives 100% of the County's tobacco settlement proceeds, although only 40% are applicable to the Corporation. The residual 60% is refundable to the County. As of December 31, 2008, no residual assets due to the County were held by the Corporation.

Related Party

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

Net Deficit

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

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

Annual payments to the State commenced on April 15, 2000, starting at \$4.5 billion in 2000 and continuing into perpetuity at a cap of \$9 billion to be reached in 2018. The annual payments will be subject to inflation adjustment, the volume adjustment, the previously settled states reduction, the non-settling states reduction, the non-participating manufacturers adjustment, the offset for miscalculated or disputed payments, the federal tobacco legislation offset, the litigating parties offset, and the offsets for claims. The Corporation started receiving the County's portion of the annual payments on April 15, 2001.

Note 19. Chemung County Library District:

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

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

Note 20. Restricted Net Assets:

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

Note 21. Post Employment Healthcare Plan:

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

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

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

In December 31, 2008, an actuarial valuation was performed in which the Projected Unit Credit method was used. The actuarial assumptions include a 4% investment rate of return and an annual healthcare cost trend rate of 9% medical and 14% for prescription drugs in 2008, reduced by decrements to an ultimate rate of 5% for both medical and prescription drugs after thirteen years.

The actuarial value of the the Plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments. The period used to determine amortization costs for the initial Unfunded Actuarial Accrued Liability is a level period of thirty years. As of January 1, 2007, the most recent actuarial valuation date, the Other Post Employment Benefits ("OPEB") plan was unfunded, resulting in an accrued liability of \$32,878,830 for the County and \$5,014,687 for the Nursing Facility.

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

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

	<u>County</u>	<u>Nursing Facility</u>
Annual required contribution	\$ 3,204,042	\$ 396,313
Interest on net OPEB obligation	87,707	6,659
Adjustment to annual required contribution	<u>(121,925)</u>	<u>(9,257)</u>
Annual OPEB cost (expense)	3,169,824	393,715
Contributions made	<u>(1,450,108)</u>	<u>(59,403)</u>
Increase in OPEB obligation - net	1,719,716	334,312
Net OPEB obligation - beginning of year	<u>1,534,736</u>	<u>-</u>
Net OPEB obligation - end of year	<u>\$ 3,254,452</u>	<u>\$ 334,312</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 is as follows:

	<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
County	12/31/2008	\$ 3,169,824	45.7%	\$ 3,254,452
Nursing Facility	12/31/2008	\$ 393,715	15.1%	\$ 334,312

The beginning of year net OPEB obligation amounting to \$1,534,736 includes the beginning liability pertaining to the Nursing Facility as the 2007 financial statements issued for the Nursing Facility did not reflect this obligation. This liability was included in the statement of net assets of the primary government in order to properly reflect the government-wide OPEB liability. The 2008 financial statements for the Nursing Facility included the accrued OPEB obligation beginning in 2008.

Note 22. Future Implementations of GASB Pronouncements:

The GASB has issued the following statements:

- Statement No. 51 Accounting and Financial Reporting for Intangible Assets. Effective for the period beginning January 1, 2010.

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

Note 23. Stewardship, Compliance, Accountability:

Expenditures exceeding the budget are explained as follows:

General Fund

Expenditures for general government, education, transportation and debt service exceeded budgeted amounts. The excess expenditures in the general government function are due to payment of the non-county share of sales tax. Sales tax collections exceeded the budget by nearly 4% which resulted in payments to other municipalities of more than \$1 million in excess of budget. The excess education expenditures were due to more payments for the local share of community college students than budgeted for in 2008. Transportation expenditures exceeded the budget due to the contract finalized with the Chemung County Transit exceeded the budget. The contract was approved by the Legislature and no budget modification was made. Lastly, debt service expenditures exceeded the budgeted amount in the general fund. Overall debt service between all funds has a positive variance. The negative variance in the general fund resulted from an allocation of debt service payments different from that budgeted.

COUNTY OF CHEMUNG - STATE OF NEW YORK
Schedule of Revenue, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For The Year Ended December 31, 2008

	Original Adopted Budget	Final Amended Budget	Actual Results	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Real property taxes	\$ 23,575,030	\$ 23,575,030	\$ 22,953,542	\$ (621,488)
Real property tax items	1,677,000	1,677,000	1,460,023	(216,977)
Non property tax items	33,359,595	53,194,547	55,539,662	2,345,115
Department income	17,284,891	17,590,203	13,170,359	(4,419,844)
Federal aid	23,080,776	23,531,088	19,272,284	(4,258,804)
State aid	29,986,165	30,457,102	29,384,022	(1,073,080)
Intergovernmental charges	407,777	407,777	4,749,528	4,341,751
Use of money and property	773,190	773,190	376,137	(397,053)
Sale of property and compensation for loss	965,212	974,631	1,173,065	198,434
Licenses and permits	6,000	6,000	6,777	777
Fines and forfeitures	262,300	262,300	301,583	39,283
Miscellaneous local sources	<u>4,433,632</u>	<u>4,748,059</u>	<u>4,089,883</u>	<u>(658,176)</u>
Total revenues	<u>135,811,568</u>	<u>157,196,927</u>	<u>152,476,865</u>	<u>(4,720,062)</u>
Expenditures:				
General government support	9,630,676	29,612,799	30,165,070	(552,271)
Education	3,879,800	3,879,800	4,026,737	(146,937)
Public safety	12,909,961	13,132,435	12,408,927	723,508
Health	11,401,168	11,395,738	10,793,542	602,196
Transportation	4,154,099	4,222,712	4,782,314	(559,602)
Economic assistance	67,950,764	71,451,799	68,780,193	2,671,606
Culture and recreation	2,512,784	2,976,350	2,783,156	193,194
Home and community services	881,576	1,227,853	1,126,284	101,569
Employee benefits	12,453,583	12,456,247	10,520,121	1,936,126
Debt service	<u>4,851,122</u>	<u>4,851,122</u>	<u>4,999,358</u>	<u>(148,236)</u>
Total expenditures	<u>130,625,533</u>	<u>155,206,855</u>	<u>150,385,702</u>	<u>4,821,153</u>
Excess Of Revenues Over Expenditures	<u>5,186,035</u>	<u>1,990,072</u>	<u>2,091,163</u>	<u>101,091</u>
Other Financing Sources (Uses):				
Operating transfers in	-	2,920,606	4,773,445	1,852,839
Operating transfers out	<u>(5,186,035)</u>	<u>(4,910,678)</u>	<u>(4,868,864)</u>	<u>41,814</u>
Total other financing sources (uses) - net	<u>(5,186,035)</u>	<u>(1,990,072)</u>	<u>(95,419)</u>	<u>1,894,653</u>
Excess Of Revenues And Other Sources Over Expenditures And Other Uses	<u>\$ -</u>	<u>\$ -</u>	1,995,744	<u>\$ 1,995,744</u>
Fund Balances - Beginning Of Year			<u>7,891,874</u>	
Fund Balances - End Of Year			<u>\$ 9,887,618</u>	

COUNTY OF CHEMUNG - STATE OF NEW YORK
 Schedule Of Expenditures Of Federal Awards
 For The Year Ended December 31, 2008

See accompanying notes to schedule of expenditures of federal awards.

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture:			
Pass through from:			
New York State Department of Social Services:			
Food Stamps Program	10.551		\$ 12,764,508
Food Stamps Program, Administration	10.561		935,851
New York State Department of Health:			
Eat Well Play Hard	10.551		92,902
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		2,471,047
			<u>16,264,308</u>
Total U.S. Department of Agriculture			
U.S. Department of Health and Human Services:			
Pass through from:			
New York State Department of Social Services:			
Social Services Block Grant	93.667		898,743
Foster Care - Title IV-E	93.658		2,269,759
Adoption Assistance	93.659		910,015
Child Support Enforcement	93.563		485,722
Home Energy Assistance Program	93.568		4,240,950
Child Care and Development Block Grant	93.575		2,941,713
Chafee Foster Care Independent Living	93.674		54,915
Medical Assistance Program	93.778		2,024,858
Adoption Incentive Payments	93.603		376,524
Temporary Assistance for Needy Families Block Grant	93.558		5,601,201
Help America Vote Act for Individuals with Disabilities	93.617		264
			<u>19,804,664</u>
New York State Division of Alcoholism and Drug Abuse:			
Block Grant for Prevention and Treatment of Substance Abuse	93.959		<u>172,121</u>
New York State Department of Health:			
Immunization Grant	93.268		24,575
Public Health Preparedness	93.283		65,018
Public Nursing Home Quality	93.994		95,653
			<u>185,246</u>
New York State Office of Mental Health:			
Block Grant for Community Mental Health Services	93.958		39,000
Federal Medicaid Administrative Salary Sharing	93.778		65,000
			<u>104,000</u>
New York State Office for the Aging:			
Aging - Title III, Part B	93.044		123,102
Aging - Title III, Part C	93.045		191,895
Aging - Title III, Part D	93.043		6,389
Aging - Title III, Part E	93.052		52,343
Aging - Title III, Part E	93.042		29,930
Aging - Title VII	93.568		30,163
Aging - WRAP	93.779		42,799
Aging - HIICAP	93.568		48,489
Aging - HEAP	93.778		348,527
Aging - Medicaid Services	93.053		47,993
Aging - Nutrition Incentive Program	93.053		921,630
			<u>21,187,661</u>
Total U.S. Department of Health and Human Services			

COUNTY OF CHEMUNG - STATE OF NEW YORK
Schedule Of Expenditures Of Federal Awards
For The Year Ended December 31, 2008

U.S. Department of Labor:		
Pass through from:		
New York State Office for the Aging:		
Senior Community Service Employment Program	17.235	<u>33,258</u>
 U.S. Department of Transportation:		
Direct Programs:		
Airport Improvement Program	20.106	1,802,464
Highway Planning and Construction	20.205	162,273
Federal Transit Capital Investment Grants	20.500	<u>932,758</u>
		<u>2,897,495</u>
 Pass through from:		
New York State Department of Transportation:		
Federal Transit - Formula Grant	20.505	336,582
Operation Assistance	20.509	<u>94,100</u>
		<u>3,328,177</u>
Total U.S. Department of Transportation		
 U.S. Department of Homeland Security:		
Direct Programs:		
Urban Areas Security Initiative	97.090	100,282
Emergency Management Assistance	97.042	36,589
Homeland Security Grant	97.067	<u>205,763</u>
		<u>342,634</u>
Total U.S. Department of Homeland Security		
 U.S. Election Assistance Commission:		
Passed through the New York State Board of Elections:		
Help America Vote Act Requirements Payments	90.401	<u>567,152</u>
 U.S. General Services Administration:		
Direct Program:		
Help America Vote Act Election Reform	39.011	<u>2,400</u>
 U.S. Department of Justice:		
Direct Program:		
State Criminal Alien Assistance Program	16.606	<u>9,853</u>
 U.S. Environmental Protection Agency:		
Pass through from:		
New York State Department of Health:		
Source Water Assessment	66.468	<u>102,538</u>
 U.S. Department of Education:		
Pass through from:		
New York State Department of Health:		
Early Intervention Administration	84.181	<u>83,105</u>
Total Expenditures of Federal Awards		\$ <u>41,921,086</u>

COUNTY OF CHEMUNG - STATE OF NEW YORK
Notes To Schedule Of Expenditures Of Federal Awards
For The Year Ended December 31, 2008

Note 1. Basis of Presentation:

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

Note 2. Reporting Entity:

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

Note 3. Non-monetary Assistance:

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

Note 4. Subrecipients:

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided</u>
Federal Transit Capital Investment Grants	20.500	\$ 932,758
Highway Planning & Construction (Safety Audit Grant)	20.205	\$ 30,674
Federal Transit-Metropolitan Planning Grant - STEG	20.505	\$ 52,104
Federal Transit-Metropolitan Planning Grant - First Transit	20.505	\$ 70,345
Federal Transit-Metropolitan Planning Grant - City of Elmira	20.505	\$ 8,421
Operation Assistance	20.509	\$ 94,100

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of County of Chemung - State of New York, as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 2, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County of Chemung - State of New York's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County of Chemung - State of New York's financial statements that is more than inconsequential will not be prevented or detected by the County of Chemung - State of New York's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County of Chemung - State of New York's internal control.

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

Compliance And Other Matters

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

We noted certain matters that we reported to management of the County of Chemung - State of New York, in a separate letter dated September 2, 2009.

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

E. Dwyer, Fox & Panetti, LLP

Elmira, New York
September 2, 2009

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

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

Compliance

We have audited the compliance of the County of Chemung - State of New York, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. Compliance requirements applicable to the U.S. Department of Transportation programs, Federal Transportation Administration Operating and Capital Assistance (CFDA 20.509 and 20.500), have been audited by another auditor, and our opinion, insofar as it related to that program is based solely on the report of the other auditor. The County of Chemung - State of New York's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Chemung - State of New York's management. Our responsibility is to express an opinion on the County of Chemung - State of New York's compliance based on our audit.

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

In our opinion, and the reports of other auditors, the County of Chemung - State of New York, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

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

A control deficiency in the County of Chemung - State of New York's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the County of Chemung - State of New York's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County of Chemung - State of New York's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County of Chemung - State of New York's internal control.

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

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

Elmira, Fox & Parrett, LLP

Elmira, New York
September 2, 2009

COUNTY OF CHEMUNG - STATE OF NEW YORK
Schedule Of Findings And Questioned Costs
For The Year Ended December 31, 2008

SUMMARY OF AUDITOR'S RESULTS:

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

<u>Program Name</u>	<u>CFDA Federal Number</u>
Food Stamps Cluster	10.551, 10.561
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557
Adoption Assistance	93.659
Home Energy Assistance Program	93.568
Homeland Security Grant	97.067
HAVA Title II	90.401

7. The threshold for distinguishing Types A and B programs was \$1,257,633.
8. The County of Chemung - State of New York was determined to be a high-risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

NONE

COUNTY OF CHEMUNG - STATE OF NEW YORK
Summary Schedule of Prior Year Findings
For The Year Ended December 31, 2008

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

FINDING 07-1

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Community Development Block Grant - Small Cities Program - CFDA No. 14.219

Criteria: The compliance requirement of subrecipient monitoring requires that before distributing any Community Development Block Grant - Small Cities Program funds to a subrecipient, the recipient shall sign a written agreement with the subrecipient.

Condition: The County of Chemung has a written subrecipient agreement with Southern Tier Economic Growth (STEG) in which STEG agrees to utilize grant funds only to implement the activities described in, and in accordance with the terms of the County's application, the written agreement and all applicable State and federal laws and regulations. However, per review of the invoice and the check written for the portion that was passed through to the subrecipient, it appears that the check was not written to the proper agency in which the agreement was made.

Effect: The County is not fulfilling its requirement to monitor the activities of its subrecipient for the Small Cities grant.

Recommendation: The County should monitor the distribution of funding to its subrecipient's more closely in the future.

Corrective Action Status: The County has addressed the recommendation and completed the corrective action and there have been activities designed to correct the prior-year finding.