COUNTY OF CHEMUNG - STATE OF NEW YORK

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2007

COUNTY OF CHEMUNG - STATE OF NEW YORK
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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, 2007, 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 3.81%, 0.00% and 7.84%, 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, 2007, 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 24, 2008, 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.

ELDREDGE, FOX & PORRETTI, LLP
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The management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 46, 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.

Eldridge, Fox & Parnell, LLP

Elmira, New York
September 24, 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, 2007. 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 $104,020,013. The unrestricted net assets were $6,328,458, the invested in capital assets, net of related debt, was $93,740,487 and $3,951,068 was restricted as of December 31, 2007.

- The governmental "current ratio", which is an indicator of liquidity, is 1.49 and 1.24 as of December 31, 2007 and 2006 respectively.

- Governmental activities increased the County's net assets by $6,189,525 or 6.36% in 2007 compared with an increase of $7,897,635 or 8.83% in 2006.

- Operating grants and aid were 27.42% and 30.49% of the total governmental revenue in 2007 and 2006, respectively.

- Business-type net assets decreased $1,757,060 or 35.69% in 2007 as compared with an increase of $317,488 or 6.06% in 2006.

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.

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.

Some of the major differences illustrated in the reconciliation are:

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

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

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, 2007 And 2006

	Governmental Activities			Business-type Activities		
	2007	2006	Change	2007	2006	Change
Assets:						
Current and other assets	$ 43,773,787	$ 50,934,653	$ (7,160,866)	$ 5,376,774	$ 5,001,539	$ 375,235
Capital assets, net	133,052,753	123,205,328	9,847,425	3,438,929	3,990,472	(551,543)
Total assets	$176,826,540	$174,139,981	$ 2,686,559	$ 8,815,703	$ 8,992,011	$ (176,308)
Liabilities:						
Current liabilities	29,378,553	41,214,830	(11,836,277)	4,705,875	3,462,584	1,243,291
Long-term liabilities	43,427,974	35,609,663	7,818,311	10,789,981	10,452,520	337,461
Total liabilities	72,806,527	76,824,493	(4,017,966)	15,495,856	13,915,104	1,580,752
Net Assets:						
Investments in capital assets, net of debt	93,740,487	84,285,920	9,454,567	1,102,091	684,470	417,621
Restricted	3,951,068	1,546,252	2,404,816	-	-	-
Unrestricted	6,328,458	11,483,316	(5,154,858)	(7,782,244)	(5,607,563)	(2,174,681)
Total net assets	104,020,013	97,315,488	6,704,525	(6,680,153)	(4,923,093)	(1,757,060)
Total Liabilities and Net Assets	$176,826,540	$174,139,981	$ 2,686,559	$ 8,815,703	$ 8,992,011	$ (176,308)

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.

Changes in Net Assets

December 31, 2007 And 2006

	Governmental Activities			Business-type Activities		
	2007	2006	Change	2007	2006	Change
Revenues:						
Program Revenues:						
Charges for services	$ 30,765,054	$ 28,495,247	$ 2,269,807	$ 14,174,106	$ 16,252,587	$ (2,078,481)
Operating grants and contributions	47,813,241	45,743,947	2,069,294	-	-	-
Capital grants and contributions	8,674,369	11,670,090	(2,995,721)	-	-	-
General Revenues:						
Property taxes	25,532,248	25,854,083	(321,835)	-	-	-
Other taxes	54,190,738	32,959,987	21,230,751	-	-	-
Other revenue	7,374,407	5,290,974	2,083,433	2,483,421	1,004,713	1,478,708
Total revenues	174,350,057	150,014,328	24,335,729	16,657,527	17,257,300	(599,773)
Program Expenses:						
General government	32,799,326	13,689,179	19,110,147	-	-	-
Public safety	18,377,635	17,672,300	705,335	-	-	-
Transportation	16,080,628	15,028,454	1,052,174	-	-	-
Health	11,970,580	11,606,317	364,263	-	-	-
Economic assistance and opportunity	71,197,410	66,950,064	4,247,346	-	-	-
Culture and recreation	3,296,487	2,182,062	1,114,425	-	-	-
Education	3,771,725	3,790,932	(19,207)	-	-	-
Home and community services	9,437,614	8,928,963	508,651	-	-	-
Interest expense	1,229,127	2,268,422	(1,039,295)	-	-	-
Workers' compensation	-	-	-	17,914,621	16,388,269	1,526,352
Self insurance	-	-	-	499,966	551,543	(51,577)
Total expenses	168,160,532	142,116,693	26,043,839	18,414,587	16,939,812	1,474,775
Change in net assets	6,189,525	7,897,635	(1,708,110)	(1,757,060)	317,488	(2,074,548)
Net Assets - Beginning - As Originally Reported	97,315,488	89,417,853	7,897,635	(4,923,093)	(5,240,581)	317,488
Restatement	515,000	-	515,000	-	-	-
Net Assets - Beginning - As Restated	97,830,488	89,417,853	8,412,635	(4,923,093)	(5,240,581)	317,488
Net Assets - Ending	$104,020,013	$ 97,315,488	$ 6,704,525	$ (6,680,153)	$ (4,923,093)	$ (1,757,060)

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

Factors Affecting Overall Financial Position

Governmental Activities - During 2007, governmental activities resulted in an overall increase of net assets of $6,189,525 which represents a 1.76% decrease from 2006. The County receives revenues from varying sources. Major funding sources and their relationship to total revenue for the following year are as follows:

Funding Source	2007 Percentage of Total Revenue	2006 Percentage of Total Revenue	Increase (Decrease)
State and Federal Aid	32.40 %	38.27 %	(5.87)%
Property tax and related items	14.64 %	18.13 %	(3.49)%
Non property tax items	31.08 %	21.08 %	10.00 %
Departmental income	17.65 %	14.32 %	3.33 %
Other	4.23 %	8.20 %	(3.97)%
Total expenses	100.00 %	100.00 %	0.00 %

Overall public assistance expenditures were as follows:

Program	2007	2006	Difference	Percentage Change
Temporary Assistance	$ 4,194,221	$ 4,253,783	$ (59,562)	(1.40)%
Safety Net	$ 3,629,741	$ 3,401,970	$ 227,771	6.70 %
Medicaid	$ 17,963,128	$ 18,015,822	$ (52,694)	(0.29)%
Children Services	$ 15,575,492	$ 14,100,644	$ 1,474,848	10.46 %

Business-type Activities - During 2007 the Chemung County Nursing Facility (the "Facility") had an overall decrease in net assets of $1,999,770 which represents a 717% decrease. The Facility receives 95% of its revenue from patient services which were down $720,494 or 4% from 2006.

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, 2007 the Nursing Facility had a net fund deficit of $1,720,676.

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, 2007 was $94,842,578. This represents an increase of $9,872,188 from 2006. 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 1980-2007 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 $39,312,266 as of December 31, 2007. The overall long-term debt was decreased by $1,281,691 from the balance of $40,593,957 as of December 31, 2006. The County borrowed $6,402,298 in 2007 for various capital projects.

Economic Outlook and Future Benefits

- Despite the national economic climate manufacturing in Chemung County continues to be strong. In a recent survey of manufacturing companies within the County, most have indicated they plan to either increase or maintain employment levels through 2009.

- Stanford, Connecticut based DeMet's Candy Company announced it is relocating its manufacturing operation from Toronto, Canada to Chemung County. They are building a $13.5 million, 100,000 square foot facility in Airport Corporate Park which will be completed in early 2009. When completed the operation 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 fully operational, the facility will employ more than a 1,000 people.

- Eaton Electric has expanded its operation to 24 hours per day, seven day per week. This expansion resulted in the addition of 60 new jobs in 2007. They are now planning to add another 60 positions.

- FM Howell & Company is constructing a state of the art, $15 million, 56,000 square foot pharmaceutical fulfillment center for the packaging and distribution of pharmaceuticals. When completed they will employ 85 people in this facility.

- In the service sector, American Customer Care call center has completely filled the old Iszards department store building and is currently employing 250 people. General Revenue Corporation's operation in Airport Corporate Park is also going strong, currently employing 600 people.

- There has been extensive natural gas exploration in the area over the past several years. Many gas exploration companies have invested quite heavily in the area. Fortuna Energy, one of the largest and most active companies in the area, has decided to make the County home for it's North American headquarters. Construction was completed on there $4.5 million, 32,000 square foot headquarters building in mid-2008.

- The County of Chemung 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 2007, the County of Chemung saw a 4.1% increase in sales tax revenues. When combined with the 6% growth of 2006, it is apparent that retail sales remain a vital part of the local economy.

- 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 coming soon 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 this 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.

General Fund Budget Modifications

Budgeted appropriations were increased by $27,020,222 from the original adopted budget. The budgetary changes are summarized as follows:

	Original	Modified	Change
General government	$ 12,016,095	$ 30,693,799	$ 18,677,704
Public safety	16,287,878	16,534,571	246,693
Transportation	4,775,550	4,930,140	154,590
Health	12,378,987	12,947,782	568,795
Economic assistance and opportunity	67,844,057	69,599,397	1,755,340
Culture and recreation	2,420,803	2,696,298	275,495
Education	-	4,010,703	4,010,703
Home and community services	935,026	2,116,549	1,181,523
Employee benefits	13,087,142	13,087,142	-
Debt services	4,740,805	4,890,184	149,379
	$ 134,486,343	$ 161,506,565	$ 27,020,222

- 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 town and village share as an expenditure. Revenues and appropriations were increased by $19,234,952 to accommodate this change. Contractual appropriations were also decreased by $515,347.

- The increase in the public safety budget resulted primarily from a $140,787 increase in equipment and small building projects in the emergency management department.

- The increase in the health budget is due primarily to increase in mental health contracts of $333,832. There were also minor increases in other supply and operational expenditures.

- The increase in the economic assistance and opportunity budget is mainly due to personnel increases of $151,088, contractual increases of $756,938 and recipient expense of $789,129 in the department of social services.

- The increase in education was necessary because the community college chargeback appropriation and revenue were not included in the original adopted budget.

- The increase in home and community services resulted from contractual increases resulting from new grants.

General Fund Final Budget Compared to Actual Expenditures

Actual expenditures were $15,556,980 less than the final budget. The budget to actual fluctuations are summarized below:

	Modified Budget	Actual Expenditures	Favorable Variances
General government	$ 30,693,799	$ 28,463,858	$ (2,229,941)
Public safety	16,534,571	11,850,362	(4,684,209)
Transportation	4,930,140	4,703,774	(226,366)
Health	12,947,782	10,430,123	(2,517,659)
Economic assistance and opportunity	69,599,397	66,523,428	(3,075,969)
Culture and recreation	2,696,298	2,696,298	-
Education	4,010,703	3,771,725	(238,978)
Home and community services	2,116,549	1,846,622	(269,927)
Employee benefits	13,087,142	10,773,211	(2,313,931)
Debt service	4,890,184	4,890,184	-
	$ 161,506,565	$ 145,949,585	$ (15,556,980)

- The increase in the culture and recreation budget is due to the inclusion of additional rooms tax revenue and distribution.

- The increase in the debt service budget resulted from the inclusion of prepaid debt service in the expenditure for the year. The County prepaid some refunded bonds through the Environmental Facilities Corporation (EFC). The payments made by EFC against our outstanding debt were not originally budgeted as expenses.

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 24 of these financial statements.

COUNTY OF CHEMUNG - STATE OF NEW YORK
Statement Of Net Assets
December 31, 2007

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets:				
Cash and cash equivalents, unrestricted	$ 4,907,407	$ 103,364	$ 5,010,771	$ 1,562,086
Taxes receivable, net	6,995,379	-	6,995,379	-
Other receivables, net	10,274,518	4,007,946	14,282,464	187,973
Due from other funds	6,931,794	-	6,931,794	-
State and federal aid receivables	13,321,319	-	13,321,319	-
Due from other governments	345,367	-	345,367	-
Inventory	-	92,325	92,325	-
Prepaid expenditures	490,000	-	490,000	2,503
Other assets	-	-	-	210,538
Cash and cash equivalents, restricted	508,003	980,886	1,488,889	517,636
Unamortized bond issuance costs	-	192,253	192,253	-
Loans receivable	-	-	-	1,409,845
Reimbursement receivable, net	-	-	-	53,385
Restricted asset, revolving loan fund	-	-	-	265
Capital assets:				
Capital assets, not depreciated	19,909,966	48,287	19,958,253	-
Capital assets, net of depreciation	113,142,787	3,390,642	116,533,429	17,730,150
Total assets	176,826,540	8,815,703	185,642,243	21,674,381
Liabilities:				
Accounts payable	9,075,656	259,047	9,334,703	806,068
Accrued liabilities	9,814,589	-	9,814,589	-
Retained percentages	345,347	-	345,347	-
Accrued compensation and related liabilities	-	897,587	897,587	-
Other liabilities	-	40,799	40,799	-
Due to other funds	3,662,248	3,267,781	6,930,029	-
Due to other governments	3,629,893	-	3,629,893	-
Deferred revenues	2,611,801	-	2,611,801	265
Bond anticipation notes payable	239,019	-	239,019	-
Due to third party payors	-	240,661	240,661	-
Long-term liabilities:				
Portion due or payable within one year:				
Bonds payable	4,976,160	167,628	5,143,788	754,770
Compensated absences	944,636	-	944,636	-
Portion due or payable after one year:				
Bonds payable	34,336,106	9,007,602	43,343,708	12,013,542
Compensated absences	1,636,336	-	1,636,336	-
OPEB liability	1,534,736	-	1,534,736	-
Workers' compensation benefits	-	1,614,751	1,614,751	-
Total liabilities	72,806,527	15,495,856	88,302,383	13,574,645
Net Assets (Deficit):				
Investment in capital assets, net of related debt	93,740,487	1,102,091	94,842,578	6,871,065
Restricted for:				
Capital projects	2,557,956	-	2,557,956	-
Debt service	1,393,112	-	1,393,112	-
Unrestricted	6,328,458	(7,782,244)	(1,453,786)	1,228,671
Total net assets (deficit)	$ 104,020,013	$ (6,680,153)	$ 97,339,860	$ 8,099,736

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, 2007

		Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			
					Primary Government			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Units
Primary Government:								
Governmental activities:								
General government support	$ 32,799,326	$ 15,362,444	$ 973,097	$ -	$ (16,463,785)	$ -	$ (16,463,785)	$ -
Education	3,771,725	-	-	-	(3,771,725)	-	(3,771,725)	-
Public safety	18,377,635	1,480,603	1,219,034	-	(15,677,998)	-	(15,677,998)	-
Health	11,970,580	3,659,486	7,215,120	-	(1,095,974)	-	(1,095,974)	-
Transportation	16,080,628	2,390,485	-	8,674,369	(5,015,774)	-	(5,015,774)	-
Economic assistance	71,197,410	2,741,391	35,728,511	-	(32,727,508)	-	(32,727,508)	-
Culture and recreation	3,296,487	194,547	1,614,693	-	(1,487,247)	-	(1,487,247)	-
Home and community services	9,437,614	4,936,098	1,062,786	-	(3,438,730)	-	(3,438,730)	-
Debt interest	1,229,127	-	-	-	(1,229,127)	-	(1,229,127)	-
Total governmental activities	168,160,532	30,765,054	47,813,241	8,674,369	(80,907,868)	-	(80,907,868)	-
Business-type activities:								
Chemung County Nursing Facility	17,914,621	14,174,106	-	-	-	(3,740,515)	(3,740,515)	-
Chemung County Tobacco Asset Securitization Corporation	499,966	-	-	-	-	(499,966)	(499,966)	-
Total business-type activities	18,414,587	14,174,106	-	-	-	(4,240,481)	(4,240,481)	-
Total primary government	$ 186,575,119	$ 44,939,160	$ 47,813,241	$ 8,674,369	(80,907,868)	(4,240,481)	(85,148,349)	-
Component Units:								
Industrial Development Agency	$ 6,567,555	$ -	$ 7,316,399	$ -	-	-	-	748,844
Soil and Water Conservation District	915,452	72,068	962,374	-	-	-	-	118,990
Total component units	$ 7,483,007	$ 72,068	$ 8,278,773	$ -	-	-	-	867,834
General Revenues:								
Real property taxes					25,532,248	-	25,532,248	-
Real property tax items					1,808,181	-	1,808,181	-
Non property tax items					52,382,557	-	52,382,557	-
Use of money and property					1,858,926	742,676	2,601,602	89,400
Sale of property and compensation for loss					2,449,832	-	2,449,832	52,594
Miscellaneous local sources					3,997,649	808,745	4,806,394	1,374,659
Interfund transfers - net					(932,000)	932,000	-	-
Total general revenues and interfund transfers					87,097,393	2,483,421	89,580,814	1,516,653
Change In Net Assets					6,189,525	(1,757,060)	4,432,465	2,384,487
Net Assets (Deficits) - Beginning Of Year - As Originally Reported					97,315,488	(4,923,093)	92,392,395	3,908,186
Restatement					515,000	-	515,000	1,807,063
Net Assets (Deficits) - Beginning Of Year - As Restated					97,830,488	(4,923,093)	92,907,395	5,715,249
Net Assets (Deficits) - End Of Year					$ 104,020,013	$ (6,680,153)	$ 97,339,860	$ 8,099,736

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

COUNTY OF CHEMUNG - STATE OF NEW YORK
Balance Sheet
Governmental Funds
December 31, 2007

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Assets:				
Cash and cash equivalents, unrestricted	$ 4,701,345	$ 1,378,234	$ 44,777	$ 6,124,356
Taxes receivable, net	6,995,379	-	-	6,995,379
Other receivables, net	6,525,701	469,479	1,026,479	8,021,659
Due from other funds	-	1,636,308	2,932,597	4,568,905
State and federal aid receivables	12,682,263	243,490	395,566	13,321,319
Due from other governments	344,513	-	-	344,513
Prepaid expenditures	-	-	490,000	490,000
Cash and cash equivalents, restricted	-	508,003	-	508,003
Total Assets	$ 31,249,201	$ 4,235,514	$ 4,889,419	$ 40,374,134
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 7,600,848	$ 1,093,192	$ 380,968	$ 9,075,008
Accrued liabilities	6,074,018	-	288,273	6,362,291
Retained percentages	-	345,347	-	345,347
Due to other funds	3,662,248	-	-	3,662,248
Due to other governments	3,408,412	-	2,396	3,410,808
Deferred revenues	2,611,801	-	-	2,611,801
Bond anticipation notes payable	-	239,019	-	239,019
Total liabilities	23,357,327	1,677,558	671,637	25,706,522
Fund Balances:				
Reserved for:				
Employee benefits	965,395	-	64,020	1,029,415
Repairs	12,014	-	-	12,014
Miscellaneous	3,071,528	508,003	-	3,579,531
Unreserved:				
Unappropriated	3,842,937	2,049,953	4,153,762	10,046,652
Total fund balances	7,891,874	2,557,956	4,217,782	14,667,612
Total Liabilities And Fund Balances	$ 31,249,201	$ 4,235,514	$ 4,889,419	$ 40,374,134

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, 2007

Total governmental fund balances		$ 14,667,612
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	4,199,076	
Total capital assets, not depreciated		19,909,966
Buildings and improvements	58,753,648	
Infrastructure	94,989,187	
Land improvements	1,030,722	
Furniture, equipment and vehicles	24,984,159	
Total depreciable assets	179,757,716	
Less, accumulated depreciation	(66,614,929)	
Total capital assets, net of depreciation		113,142,787
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	(39,312,266)	
Compensated absences	(2,580,972)	
Accrued interest	(466,970)	
OPEB liability	(1,534,736)	
Installment debt - due to other governments	(219,085)	
Voluntary termination benefits	(175,201)	
Total liabilities		(44,289,230)
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	585,442	
Self-Insurance Fund	3,436	
Total internal service funds		588,878
Net Assets of Governmental Activities		$ 104,020,013

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, 2007

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Real property taxes	$ 22,605,293	$ -	$ 2,926,955	$ 25,532,248
Real property tax items	1,808,181	-	-	1,808,181
Non property tax items	52,382,557	-	-	52,382,557
Department income	15,720,153	-	4,885,984	20,606,137
Intergovernmental charges	4,254,636	450,499	-	4,705,135
Use of money and property	732,587	-	1,126,340	1,858,927
Licenses and permits	5,655	-	5,438	11,093
Fines and forfeitures	277,917	-	-	277,917
Sale of property and compensation for loss	1,112,531	1,345,283	8,268	2,466,082
Miscellaneous local sources	3,922,092	9,000	66,556	3,997,648
State aid	24,836,728	849,216	909,255	26,595,199
Federal aid	23,383,451	6,427,532	81,428	29,892,411
Total revenues	151,041,781	9,081,530	10,010,224	170,133,535
Other Financing Sources:				
Interfund transfers	203,145	27,321	4,164,349	4,394,815
Proceeds from long-term obligations	-	6,098,574	-	6,098,574
Total revenues and other financing sources	151,244,926	15,207,425	14,174,573	180,626,924
Expenditures:				
General government support	28,463,858	-	-	28,463,858
Education	3,771,725	-	-	3,771,725
Public safety	11,850,362	694,029	-	12,544,391
Health	10,430,123	949,896	-	11,380,019
Transportation	4,703,774	10,992,080	5,627,069	21,322,923
Economic assistance	66,523,428	-	-	66,523,428
Culture and recreation	2,696,298	-	-	2,696,298
Home and community services	1,846,622	3,423,247	5,059,054	10,328,923
Employee benefits	10,773,211	-	2,358,741	13,131,952
Debt principal	3,567,981	-	1,275,900	4,843,881
Debt interest	1,322,203	-	282,023	1,604,226
Total expenditures	145,949,585	16,059,252	14,602,787	176,611,624
Other Financing Use:				
Interfund transfers	5,123,670	-	203,145	5,326,815
Total expenditures and other financing use	151,073,255	16,059,252	14,805,932	181,938,439
Excess (Deficit) Of Revenues And Other Financing Sources Over Expenditures And Other Financing Use	171,671	(851,827)	(631,359)	(1,311,515)
Fund Balance - Beginning Of Year	7,720,203	3,409,783	4,849,141	15,979,127
Fund Balance - End Of Year	$ 7,891,874	$ 2,557,956	$ 4,217,782	$ 14,667,612

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, 2007

Net Change in Fund Balances - Total Governmental Funds		$ (1,311,515)
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	17,521,138	
Depreciation expense	(7,657,463)	
Excess of capital outlay over depreciation		9,863,675
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:		(16,250)
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		(6,098,574)
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		4,680,662
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	88,684	
Accrued interest	538,319	
Due to other governments	109,799	
Installment purchase debt	275,000	
OPEB liability	(1,534,736)	
Subtotal		(522,934)
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.		(405,539)
Change in Net Assets of Governmental Activities		$ 6,189,525

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, 2007

	Enterprise Funds			
	Chemung County Nursing Facility	Chemung Tobacco Asset Securitization Corporation	Total	Internal Service Funds
ASSETS				
Current Assets:				
Cash and securities	$ 90,190	$ 13,174	$ 103,364	$ (42)
Accounts receivable	2,912,695	692,602	3,605,297	2,252,858
State and federal receivables	-	-	-	854
Due from other funds	-	-	-	1,145,982
Other receivables	402,649	-	402,649	-
Inventories	92,325	-	92,325	-
Total current assets	3,497,859	705,776	4,203,635	3,399,652
Noncurrent Assets:				
Restricted cash	-	980,886	980,886	-
Unamortized bond issuance costs	-	192,253	192,253	-
Property, facilities and equipment, net	3,438,929	-	3,438,929	-
Total noncurrent assets	3,438,929	1,173,139	4,612,068	-
Total assets	6,936,788	1,878,915	8,815,703	3,399,652
LIABILITIES				
Current Liabilities:				
Accounts payable	259,047	-	259,047	647
Accrued liabilities	-	-	-	2,810,127
Accrued compensation and related liabilities	897,587	-	897,587	-
Current portion of bonds payable	167,628	-	167,628	-
Other accrued expenses	40,799	-	40,799	-
Due to Chemung County	3,267,781	-	3,267,781	-
Due to third party payors	240,661	-	240,661	-
Total current liabilities	4,873,503	-	4,873,503	2,810,774
Noncurrent Liabilities:				
Workers' compensation benefits	1,614,751	-	1,614,751	-
Notes and bonds payable	2,169,210	6,838,392	9,007,602	-
Total noncurrent liabilities	3,783,961	6,838,392	10,622,353	-
Total liabilities	8,657,464	6,838,392	15,495,856	2,810,774
NET ASSETS (DEFICIT)				
Investment in capital assets, net of related debt	1,102,091	-	1,102,091	-
Unrestricted	(2,822,767)	(4,959,477)	(7,782,244)	588,878
Total net assets (deficit)	$ (1,720,676)	$ (4,959,477)	$ (6,680,153)	$ 588,878

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, 2007

	Enterprise Funds			
	Chemung County Nursing Facility	Chemung Tobacco Asset Securitization Corporation	Total	Internal Service Funds
Operating Revenues:				
Charges for services	$ 14,174,106	$ -	$ 14,174,106	$ 14,596,002
Other revenue	808,745	-	808,745	133,597
Investment income	-	742,676	742,676	-
Total operating revenues	14,982,851	742,676	15,725,527	14,729,599
Operating Expenses:				
Personal services	8,107,221	-	8,107,221	-
Employee benefits	4,254,064	-	4,254,064	13,566,732
Contractual expenses	4,632,862	29,042	4,661,904	-
Depreciation	358,818	-	358,818	-
Bond amortization expense	-	13,751	13,751	-
Indirect expense	196,530	-	196,530	-
Interest expense	-	457,173	457,173	-
Workers' compensation benefits	272,662	-	272,662	1,568,405
Total operating expenses	17,822,157	499,966	18,322,123	15,135,137
Operating Income (Loss)	(2,839,306)	242,710	(2,596,596)	(405,538)
Nonoperating Revenues (Expenses):				
Intergovernmental transfer	932,000	-	932,000	-
Interest expense	(92,464)	-	(92,464)	-
Total nonoperating revenues - net	839,536	-	839,536	-
Change In Net Assets	(1,999,770)	242,710	(1,757,060)	(405,538)
Net Assets (Deficit) - Beginning Of Year	279,094	(5,202,187)	(4,923,093)	994,416
Net Assets (Deficit) - End Of Year	$ (1,720,676)	$ (4,959,477)	$ (6,680,153)	$ 588,878

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, 2007

	Chemung County Nursing Facility	Chemung Tobacco Asset Securitization Corporation	Total	Internal Service Funds
Cash Flows From Operating Activities:				
Receipts from customers	$ 15,501,003	$ -	$ 15,501,003	$ -
Payments to suppliers	(2,993,163)	-	(2,993,163)	-
Payments to employees	(12,302,469)	-	(12,302,469)	-
Proceeds of tobacco receipts	-	656,925	656,925	-
Interest and dividends received	-	62,935	62,935	-
Receipts from services	-	-	-	15,634,936
Payments for workers' comp benefits	-	-	-	(1,256,051)
Payments to employees for services	-	-	-	(14,517,773)
Other receipts	508,641	-	508,641	133,597
Payments of operating expenses	-	(26,292)	(26,292)	-
Payments of bond interest expense	-	(451,308)	(451,308)	-
Net cash provided by (used for) operating activities	714,012	242,260	956,272	(5,291)
Cash Flow From Noncapital Financing Activities:				
Transfers from other funds	232,000	-	232,000	-
Cash Flows From Capital And Related Financing Activities:				
Purchase and construction of capital assets	(928,674)	-	(928,674)	-
Proceeds from issuance of bond	303,724	-	303,724	-
Payment of bond and bond anticipation note principal	(151,489)	-	(151,489)	-
Payment of bond and bond anticipation note interest	(90,283)	-	(90,283)	-
Principal repayment of bonds payable	-	(190,000)	(190,000)	-
Net cash used for capital and related financing activities	(866,722)	(190,000)	(1,056,722)	-
Cash Flows From Investing Activities:				
Increase in restricted cash and investments	-	(65,490)	(65,490)	-
Net Increase (Decrease) In Cash And Cash Equivalents	79,290	(13,230)	66,060	(5,291)
Cash And Cash Equivalents - Beginning	10,900	26,404	37,304	5,249
Cash And Cash Equivalents - Ending	$ 90,190	$ 13,174	$ 103,364	$ (42)
Reconciliation Of Operating Income (Loss) To Net Cash Provided By (Used For) Operating Activities:				
Operating income (loss)	$ (2,839,306)	$ 242,710	$ (2,596,596)	$ (405,538)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities				
Depreciation expense	358,818	-	358,818	-
Amortization expense	-	13,751	13,751	-
Bad debts	350,000	-	350,000	-
Consumption of discount on bonds	-	5,865	5,865	-
Change in assets and liabilities:				
Patient accounts receivable	(277,908)	-	(277,908)	-
Other receivables, net	714,040	-	714,040	(239,402)
Due from other funds	-	-	-	1,275,441
State and federal aid receivables	-	-	-	2,895
Inventory	(2,023)	-	(2,023)	-
Prepaid expenditures	-	2,750	2,750	-
Due to Chemung County	1,835,441	-	1,835,441	-
Tobacco proceeds receivable	-	(22,816)	(22,816)	-
Accounts payable	2,811	-	2,811	(5,452)
Accrued liabilities	-	-	-	(633,235)
Accrued compensation and related liabilities	331,478	-	331,478	-
Third party payor settlements, net	240,661	-	240,661	-
Net cash provided by (used for) operating activities	$ 714,012	$ 242,260	$ 956,272	$ (5,291)

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, 2007

	Workers' Compensation Fund	Self Insurance Fund	Total
ASSETS			
Current Assets:			
Cash and cash equivalents, unrestricted	$ (42)	$ -	$ (42)
Other receivables, net	2,201,407	51,451	2,252,858
Due from other funds	415,712	730,270	1,145,982
State and federal aid receivables	-	854	854
Total assets	2,617,077	782,575	3,399,652
LIABILITIES			
Current Liabilities:			
Accounts payable	366	281	647
Accrued liabilities	2,031,269	778,858	2,810,127
Total liabilities	2,031,635	779,139	2,810,774
NET ASSETS			
Unrestricted	585,442	3,436	588,878
Total net assets	$ 585,442	$ 3,436	$ 588,878

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, 2007

	Workers' Compensation Fund	Self Insurance Fund	Total
Operating Revenues:			
Charges for services	$ 1,029,270	$ 13,566,732	$ 14,596,002
Miscellaneous	133,597	-	133,597
Total operating revenues	1,162,867	13,566,732	14,729,599
Operating Expenses:			
Salaries and benefits	-	13,566,732	13,566,732
Services and supplies	1,568,405	-	1,568,405
Total operating expenses	1,568,405	13,566,732	15,135,137
Change In Net Assets	(405,538)	-	(405,538)
Net Assets - Beginning Of Year	990,980	3,436	994,416
Net Assets - End Of Year	$ 585,442	$ 3,436	$ 588,878

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, 2007

	Workers' Compensation Fund	Self Insurance Fund	Total
Cash Flows From Operating Activities:			
Receipts from services	$ 1,122,327	$ 14,512,609	$ 15,634,936
Payments for workers' compensation benefits	(1,256,051)	-	(1,256,051)
Payments to employees for services and benefits	-	(14,517,773)	(14,517,773)
Other receipts	133,597	-	133,597
Net cash used for operating activities	(127)	(5,164)	(5,291)
Net Decrease In Cash And Cash Equivalents	(127)	(5,164)	(5,291)
Cash And Cash Equivalents - Beginning	85	5,164	5,249
Cash And Cash Equivalents - Ending	$ (42)	$ -	$ (42)
Reconciliation Of Operating Loss To Net Cash Used For Operating Activities:			
Operating loss	$ (405,538)	$ -	$ (405,538)
Adjustments to reconcile operating loss to net cash used for operating activities:			
Change in assets and liabilities:			
Other receivables, net	(331,104)	91,702	(239,402)
Due from other funds	424,161	851,280	1,275,441
State and federal aid receivables	-	2,895	2,895
Accounts payable	(96)	(5,356)	(5,452)
Accrued liabilities	312,450	(945,685)	(633,235)
Net Cash Used For Operating Activities	$ (127)	$ (5,164)	$ (5,291)

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, 2007

	Agency Funds
ASSETS	
Cash and cash equivalents, unrestricted	$ 1,775,215
Other receivables, net	311,208
Due from other funds	1,216,907
Investments	113,680
Total assets	3,417,010
LIABILITIES	
Accounts payable	449,254
Other liabilities	2,967,756
Total liabilities	$ 3,417,010

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, 2007

	Industrial Development Agency	Soil and Water Conservation District	Total
ASSETS			
Current Assets:			
Cash and cash equivalents, unrestricted	$ 1,080,894	$ 481,192	$ 1,562,086
Other receivables, net	187,973	-	187,973
Grants receivable	23,933	-	23,933
Prepaid expenditures	2,503	-	2,503
Current portion of loans receivable	111,215	-	111,215
Total current assets	1,406,518	481,192	1,887,710
Noncurrent Assets:			
Loans receivable, net	1,298,630	-	1,298,630
Reimbursement receivable, net	53,385	-	53,385
Restricted asset, revolving loan fund	265	-	265
Capital assets, net	17,730,150	-	17,730,150
Cash and cash equivalents, restricted	517,636	-	517,636
Other assets	186,605	-	186,605
Total noncurrent assets	19,786,671	-	19,786,671
Total assets	21,193,189	481,192	21,674,381
LIABILITIES			
Current Liabilities:			
Accounts payable	806,068	-	806,068
Current portion of loans payable	754,770	-	754,770
Total current liabilities	1,560,838	-	1,560,838
Noncurrent Liabilities:			
Loans payable, net of current portion	12,013,542	-	12,013,542
Deferred revenue - revolving loan fund	265	-	265
Total noncurrent liabilities	12,013,807	-	12,013,807
Total liabilities	13,574,645	-	13,574,645
NET ASSETS			
Investment in capital assets, net of related debt	6,871,065	-	6,871,065
Unrestricted	747,479	481,192	1,228,671
Total net assets	$ 7,618,544	$ 481,192	$ 8,099,736

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, 2007

	Industrial Development Agency	Soil and Water Conservation District	Total
Operating Revenues:			
Development grants and reimbursements	$ 7,316,399	$ -	$ 7,316,399
Rental income	457,258	-	457,258
Fee income	905,366	-	905,366
Gain on sale of assets	50,174	-	50,174
Other revenue	6,158	5,877	12,035
Interest and earnings	76,543	12,857	89,400
Charges for services	-	72,068	72,068
Operating grants and contributions	-	962,374	962,374
Rental of real property	-	2,420	2,420
Total operating revenues	8,811,898	1,055,596	9,867,494
Operating Expenses:			
Development grants and project costs	6,394,574	-	6,394,574
Property and insurance expenses	10,366	-	10,366
Depreciation	19,788	-	19,788
Interest expense	132,406	-	132,406
Other expenses	10,421	-	10,421
Personal service	-	126,275	126,275
Equipment/capital outlay	-	114,633	114,633
Contractual	-	508,335	508,335
Employee Benefits	-	51,732	51,732
Non expense distribution	-	114,477	114,477
Total operating expenses	6,567,555	915,452	7,483,007
Change In Net Assets	2,244,343	140,144	2,384,487
Net Assets - Beginning Of Year, As Originally Stated	3,567,138	341,048	3,908,186
Restatement	1,807,063	-	1,807,063
Net Assets - Beginning Of Year, As Restated	5,374,201	341,048	5,715,249
Net Assets - End Of Year	$ 7,618,544	$ 481,192	$ 8,099,736

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 IDA uses proprietary accounting.

Chemung County Soil and Water Conservation District - (the "District") is a County-wide district created by the County Legislature to provide for the control and conservation of soil and water resources. Members of the board of directors are appointed by the County Legislature. These directors have sole control of the management and operation of the district. The County provides a portion of the district's funding. The County's subsidy for 2007 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 Tobacco Securitization Corp. - described in detail in Note 19 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. Government activities, which are supported primarily through taxes or intergovernmental revenues, are reported separately from business-type activities, which are intended to be funded primarily through fees and charges for goods or services. Fiduciary funds are excluded from the government-wide financial statements. Internal service activity between the internal service fund and the government has been eliminated and the remaining amounts are shown as governmental type activities on the statement of net assets and the statement of activities.

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

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

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.

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 government type activities and business-type activities and are reflected as internal balances.

Interfund Transactions

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flow of cash or goods from one fund to another without a requirement for repayment are reported as 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.

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

Accounts Payable, Accrued Liabilities and Long-Term Obligations

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

Compensated Absences, Vacation and Sick Leave

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

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

Net Assets

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

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

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

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

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

Governmental Fund Balance Reserves

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

Operating Revenues and Expenses

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

Property Taxes

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

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

Note 2. Compliance and Accountability:

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

Note 3. Deposits and Investments:

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

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

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

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

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

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

At year end, the carrying amount of the County's deposits was $9,491,782. Of the bank balance, the following were the bank balances according to risk categories:

	Total	Category 1	Category 2	Category 3
Cash deposits	$ 8,670,995	$ 600,000	$ 8,070,995	$ -

Note 4. ***Receivables:***

Real property taxes receivable at December 31, 2007 were $6,995,379. Included in the real property taxes receivable are returned city, village, and school taxes of $2,416,292 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 $2,804,641 and represents an estimate of tax liens, which will not be collected within the first sixty (60) days of the subsequent year. City, village, and school district taxes not collected by the respective entity have been or will be re-levied with the County tax levy the following year.

Other government-type activity receivables consist of funds claimed but not received from various state and federal sources of $13,322,173 at December 31, 2007, as well as funds receivable for services rendered by departments such as the Airport, Solid Waste and the Sewer Districts of $7,557,180 at December 31, 2007.

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:

2008	$ 1,000,000
2009	1,000,000
2010	1,000,000
2011	1,000,000
2012	1,000,000
Thereafter	17,000,000
Total	$ 22,000,000

Note 6. Capital Assets:

Capital asset activity for the year ended December 31, 2007 was as follows:

	Balance 12/31/2006	Increases	Decreases	Balance 12/31/2007
Governmental Activities:				
Capital Assets Not Depreciated:				
Land	$ 15,710,890	$ -	$ -	$ 15,710,890
Construction in progress	4,046,990	152,086	-	4,199,076
Total capital assets not depreciated	19,757,880	152,086	-	19,909,966
Capital Assets Depreciated:				
Land improvements	1,030,722	-	-	1,030,722
Buildings and building improvements	56,442,198	2,311,450	-	58,753,648
Infrastructure	81,640,625	13,348,562	-	94,989,187
Furniture, equipment and vehicles	23,738,656	1,709,040	(463,537)	24,984,159
Total capital assets depreciated	162,852,201	17,369,052	(463,537)	179,757,716
Less - Accumulated Depreciation:				
Land improvements	346,515	50,347	-	396,862
Buildings and building improvements	16,489,144	952,425	-	17,441,569
Infrastructure	29,498,894	4,593,790	-	34,092,684
Furniture, equipment and vehicles	13,070,200	2,060,901	(447,287)	14,683,814
Total accumulated depreciation	59,404,753	7,657,463	(447,287)	66,614,929
Total capital assets depreciated, net	103,447,448	9,711,589	(16,250)	113,142,787
Governmental Activities Capital Assets, Net	$ 123,205,328	$ 9,863,675	$ (16,250)	$ 133,052,753

Depreciation expense was charged to governmental functions as follows:

General government	$ 279,204
Public safety	642,647
Health	157,244
Transportation	5,802,544
Economic assistance and opportunity	62,215
Culture and recreation	107,908
Home and community services	605,701
Total depreciation expense for governmental activities	$ 7,657,463

	Balance 12/31/2006	Increases	Decreases	Balance 12/31/2007
Busines-type Activities:				
Capital Assets Not Depreciated:				
Land	$ 48,287	$ -	$ -	$ 48,287
Capital Assets Depreciated:				
Land improvements	306,998	-	-	306,998
Building and fixed equipment	7,875,285	800,175	(145,772)	8,529,688
Movable equipment	1,549,232	332,291	(56,259)	1,825,264
Total capital assets depreciated	9,731,515	1,132,466	(202,031)	10,661,950
Less - Accumulated Depreciation				
Land improvements	286,584	4,947	-	291,531
Buildings and fixed equipment	5,372,292	285,734	-	5,658,026
Movable equipment	1,251,853	126,157	(56,259)	1,321,751
Total accumulated depreciation	6,910,729	416,838	(56,259)	7,271,308
Total capital assets depreciated, net	2,820,786	715,628	(145,772)	3,390,642
Business-type Activities Capital Assets, Net	$ 2,869,073	$ 715,628	$ (145,772)	$ 3,438,929

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 2007 and the three preceding years was as follows:

	2007	2006	2005	2004
General pension contribution	$ 3,923,227	$ 3,815,090	$ 4,105,481	$ 4,367,767
Contribution for early retirement incentive	175,201	175,201	466,915	421,709
Total pension contribution	$ 4,098,428	$ 3,990,291	$ 4,572,396	$ 4,789,476

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.

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, 2007, employee contributions to the plan totaled $18,757,942, which is not displayed in the financial statements.

Note 9. Risk Retention:

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

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

	Beginning Balance	Current Year Claims & Changes in Estimates (Net)	Claim Payments	Ending Balance
2006	$ 1,686,093	$ 243,227	$ (210,500)	$ 1,718,820
2007	$ 1,718,820	$ 529,949	$ (217,500)	$ 2,031,269

Note 10. Commitments and Contingencies:

The settlement of a lawsuit with a former health insurance carrier resulted in a $1,500,000 settlement to be paid by the County beginning January 2003 and continue through January 2007. The final payment was made in January of 2007. As of December 31, 2007 the outstanding balance on this liability was $0.

Also 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.

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, 2007 is as follows:

	Balance 12/31/2006	Additions	Reductions	Balance 12/31/2007
Governmental Activities:				
Bond Anticipation Notes	$ 1,253,672	$ 239,019	$ (1,253,672)	$ 239,019

Short-term debt at December 31, 2007 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 2007.

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 2007, as defined by New York State Local Finance Law is $205,021,075 The County's qualified debt for that period is $41,649,104 or 20% of the constitutional debt limit.

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

	Balance 12/31/2006	Additions	Reductions	Balance 12/31/2007	Amounts Due Within One Year
Governmental Activities:					
General obligation bonds payable	$ 38,409,354	$ 6,098,574	$ (5,195,662)	$ 39,312,266	$ 4,976,160
Compensated absences	2,669,656	-	(88,684)	2,580,972	944,636
Health ins. settlement liability	275,000	-	(275,000)	-	-
OPEB liability	-	1,534,736	-	1,534,736	-
	$ 41,354,010	$ 7,633,310	$ (5,559,346)	$ 43,427,974	$ 5,920,796
Business-type Activities:					
General obligation bonds payable	$ 2,184,603	$ 303,724	$ (151,489)	$ 2,336,838	$ 167,628
Tobacco settlement bonds	7,022,527	-	(184,135)	6,838,392	-
Workers' Compensation	1,396,880	217,871	-	1,614,751	-
	$ 10,604,010	$ 521,595	$ (335,624)	$ 10,789,981	$ 167,628

Current year debt service payments and balances at December 31, 2007 are as follows:

Bond	2007 Interest Payments	2007 Principal Payments	Balance at December 31, 2007 Total	Balance at December 31, 2007 Governmental Activities	Balance at December 31, 2007 Business-type Activities
Public Improvement Bond, 04/01/88 - This bond has staggered maturities from 1989-2008. It carries an interest rate that starts at 7.00% and rises to 7.25%. Interest payments are made twice annually. The bonding covers capital projects and purchases for the Sewer District, Solid Waste District, Nursing Facility and various general fund projects.	$ 32,625	$ 300,000	$ 300,000	$ 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.	10,875	60,000	120,000	120,000	-
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.	112,200	575,000	1,075,000	1,075,000	-
Public Improvement Bond, 07/15/92 - This bond has staggered maturities from 1993-2008. It carries an interest rate that starts at 5.20% and rises to 5.50%. Interest payments are made bi-annually. The bonding covers capital projects and purchases for the Solid Waste District and various general fund projects.	22,688	275,000	275,000	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.	123,750	375,000	1,875,000	1,875,000	-
Public Improvement Bond, 07/20/93 - This bond has staggered maturities from 1994-2008. It carries an interest rate that starts at 2.60% and rises to 5.10%. Interest payments are made bi-annually. The bonding covers capital projects and purchases for various general fund projects.	11,475	150,000	150,000	150,000	-

Bond	Interest Payments	Principal Payments	Total	Governmental Activities	Business-type Activities
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.	36,250	200,000	275,000	275,000	-
Public Improvement Bond, 08/20/97 - This bond has staggered maturities from 1998-2011. It carries an interest rate that starts at 4.75% and rises to 5.25%. Interest payments are made bi-annually. The bonding covers capital projects and purchases for the Nursing Facility and various general fund projects.	47,775	748,573	3,386,805	3,213,730	173,075
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.	65,118	365,000	1,260,000	1,260,000	-
Public Improvement Bond, 11/15/99 - This bond has staggered maturities from 2000-2015. It carries an interest rate that starts at 5.10% and rises to 5.125%. Interest payments are made bi-annually. The bonding covers capital projects and purchases for the Nursing Facility, Sewer District and various general fund projects.	214,096	374,998	3,815,001	3,725,527	89,474
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.	134,625	140,000	2,785,000	2,690,513	94,487
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.	147,888	265,000	3,005,000	3,005,000	-
Public Improvement Bond, 08/15/03 - This bond has staggered maturities from 2004-2021. It carries an interest rate that starts at 4.25% and rises to 4.60%. Interest payments are made bi-annually. The bonding covers capital projects and purchases for various general fund projects.	186,688	215,000	4,060,000	4,013,306	46,694

Bond	Interest Payments	Principal Payments	Total	Governmental Activities	Business-type Activities
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.	127,077	235,000	2,890,000	2,696,878	193,122
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.	242,368	340,000	5,910,001	4,696,908	1,213,093
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.	166,961	213,621	4,064,999	3,841,830	223,169
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.	-	-	6,402,298	6,098,574	303,724
Total general obligation bonds	1,682,459	4,832,192	41,649,104	39,312,266	2,336,838
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, 2007 the face value of the bond was $6,920,000 and the remaining discount was $81,608.	457,173	184,135	6,838,392	-	6,838,392
Total principal and interest	$ 2,139,632	$ 5,016,327			
Total bonds payable			48,487,496	39,312,266	9,175,230
Less, current portion general obligation bonds			5,143,788	4,976,160	167,628
			$ 43,343,708	$ 34,336,106	$ 9,007,602

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

	Total		Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	$ 5,143,788	$ 1,677,986	$ 4,976,160	$ 1,590,474	$ 167,628	$ 87,512
2009	3,894,781	1,484,113	3,719,790	1,401,707	174,991	82,406
2010	3,905,915	1,342,696	3,723,016	1,265,620	182,899	77,076
2011	3,794,619	1,200,656	3,603,734	1,129,158	190,885	71,498
2012	2,985,001	1,071,231	2,835,052	1,005,584	149,949	65,647
2013 - 2017	12,579,995	3,519,667	11,758,082	3,287,630	821,913	232,037
2018 - 2022	7,195,001	1,243,897	6,648,453	1,170,255	546,548	73,642
2023 - 2027	2,150,004	281,989	2,047,979	268,616	102,025	13,373
	$ 41,649,104	$ 11,822,235	$ 39,312,266	$ 11,119,044	$ 2,336,838	$ 703,191

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

	Fixed Amortization	Flexible Amortization	Total Amortization
2008	$ 30,000	$ 185,000	$ 215,000
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
Thereafter	735,000	4,915,000	5,650,000
	$ 935,000	$ 5,985,000	$ 6,920,000

Note 13. ***Reserves:***

The County has the following reserve funds for the following purposes at December 31, 2007:

Governmental Activities	
General Fund:	
Reserve for tax stabilization	$ 225,258
Employee benefits	1,029,415
Retirement benefits	1,753,059
Reserve for FAA projects	933,954
Other reserves	171,271
Total	4,112,957
Capital Projects Fund:	
Reserve for capital projects	508,003
Total Governmental Activities Reserved Fund Balance	$ 4,620,960

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 Chemung 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 was audited by Mengel Metzger Barr & Co. LLP in 2007 and a copy of the complete audited financial statements may be obtained from the Facility.

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

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

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

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of the individual receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off through charges to the valuation allowance and a credit to the applicable accounts receivable. The allowance for doubtful accounts at December 31, 2007 was $500,000.

Revenue from Medicaid and Medicare accounted for approximately 67% of the Facility's total revenue for the year ended December 31, 2007. 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, 2007. 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 $144,325 and covered the period April 2004 to December 2006, were recorded as a decrease in operating revenue for the year ended December 31, 2007.

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 of Chemung. 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.

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

Due to third party payors, as reflected in the accompanying balance sheet, are generally payable as a 10% maximum withholding from current Medicaid remittances. At December 31, 2007, the amount payable to New York State Department of Health for Medicaid rate adjustments was $240,661.

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. The anticipated 2007 funding has not been received as of December 31, 2007.

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, 2007 amounted to $719,821.

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, 2007, thirty-two 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, 2007, using the present value method, the Facility has recorded an estimated liability of $1,710,886 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 $96,135 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, 2007 consisted of the following:

	Due From:					
Due To:	General Fund	Capital Projects Fund	Other Governmental Funds	Internal Service Funds	Nursing Facility	Total
General Fund	$ -	$ 2,959,979	$ 2,791,815	$ 895,555	$ 2,946,929	$ 9,594,278
Capital Projects Fund	-	-	2,307,670	-	26,736	2,334,406
Non-Major Governmental Funds	555,723	-	-	1,611,166	-	2,166,889
Internal Service	7,505,826	-	-	-	-	7,505,826
Nursing Facility	-	-	-	6,238,521	-	6,238,521
	$ 8,061,549	$ 2,959,979	$ 5,099,485	$ 8,745,242	$ 2,973,665	$ 27,839,920

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.

	Transfer Out:				
Transfer In:	General Fund	Capital Projects Fund	Other Governmental Funds	Health Care Facility	Total
General Fund	$ -	$ -	$ 203,145	$ -	$ 203,145
Capital Projects Fund	27,321	-	-	-	27,321
Non-Major Funds	4,164,349	-	-	-	4,164,349
Health Care Facility	932,000	-	-	-	932,000
	$ 5,123,670	$ -	$ 203,145	$ -	$ 5,326,815

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 2007, there were no contributions from the County. As of December 31, 2007, 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 $3.8 million in its 2007 real property tax levy to help finance the College's expenditures. In 2007, the County expended $3,771,725 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, 2007:

	All Funds
Total Assets	$ 39,628,518
Total Liabilities	$ 20,462,802
Net Assets	$ 19,165,716
Total Revenues	$ 37,274,394
Total Expenses	$ 35,003,680

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.

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, 2007, 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, 2007 was $252,660.

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.

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, 2007, 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, 2007, 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 unfunded accrued liability of $36,179,614 which includes the Chemung County Nursing Facility.

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:

Annual required contribution	$ 3,600,355
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	3,600,355
Contributions made	(2,065,619)
Increase in OPEB obligation - net	1,534,736
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	$ 1,534,736

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2007 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2007	$ 3,600,355	57.4%	$ 1,534,736

The calculations above include the Nursing Facility and the total liability has been recorded as a liability in the statement of net assets for the primary government as the financial statements issued for the Nursing Facility did not reflect the OPEB obligation.

Note 22. ***Future Implementations of GASB Pronouncements:***

The GASB has issued the following statements:

- Statement No. 50 Pension Disclosures, an amendment of GASB Statements 25 and 27. Effective for the period beginning January 1, 2008.
- 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. ***Restatements:***

Governmental activities net assets balance at January 1, 2007 has been restated for the bonds payable balance for a total adjustment to net assets of $515,000.

The component unit net assets balance for the Chemung County Industrial Development Agency ("CCIDA") has been restated to reflect amounts due to the County for amounts that had been previously reported as payable to the Revolving Loan Fund. The CCIDA's liability with the County, was stated at amounts confirmed by the County. Amounts reflected as a liability in excess of this balance, amounting to $1,807,063 at December 31, 2006, were adjusted resulting in an increase in net assets as of January 1, 2007.

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, 2007

	Original Adopted Budget	Final Amended Budget	Actual Results	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Real property taxes	$ 22,224,483	$ 22,224,483	$ 22,605,293	$ 380,810
Real property tax items	1,547,000	1,547,000	1,808,181	261,181
Non property tax items	32,279,576	51,514,527	52,382,557	868,030
Department income	14,685,478	15,084,786	15,720,153	635,367
Federal aid	23,798,154	25,116,777	23,383,451	(1,733,326)
State aid	25,830,804	27,859,932	24,836,728	(3,023,204)
Intergovernmental charges	506,620	4,517,323	4,254,636	(262,687)
Use of money and property	716,037	716,037	732,587	16,550
Sale of property and compensation for loss	956,500	963,655	1,112,531	148,876
Licenses and permits	5,500	5,500	5,655	155
Fines and forfeitures	262,300	262,300	277,917	15,617
Miscellaneous local sources	3,643,023	4,136,020	3,922,092	(213,928)
Total revenues	126,455,475	153,948,340	151,041,781	(2,906,559)
Expenditures:				
General government support	12,016,095	30,693,799	28,463,858	2,229,941
Public safety	16,287,878	16,534,571	11,850,362	4,684,209
Transportation	4,775,550	4,930,140	4,703,774	226,366
Health	12,378,987	12,947,782	10,430,123	2,517,659
Economic assistance	67,844,057	69,599,397	66,523,428	3,075,969
Culture and recreation	2,420,803	2,696,298	2,696,298	-
Education	-	4,010,703	3,771,725	238,978
Home and community services	935,026	2,116,549	1,846,622	269,927
Employee benefits	13,087,142	13,087,142	10,773,211	2,313,931
Debt service	4,740,805	4,890,184	4,890,184	-
Total expenditures	134,486,343	161,506,565	145,949,585	15,556,980
Excess (Deficiency) Of Revenues Over Expenditures	(8,030,868)	(7,558,225)	5,092,196	12,650,421
Other Financing Sources (Uses):				
Operating transfers in	-	-	203,145	203,145
Operating transfers out	(5,056,994)	(5,784,140)	(5,123,670)	660,470
Total other financing sources (uses)	(5,056,994)	(5,784,140)	(4,920,525)	863,615
Excess (Deficiency) Of Revenues And Other Sources Over Expenditures And Other Uses	$ (13,087,862)	$ (13,342,365)	171,671	$ 13,514,036
Fund Balances - Beginning Of Year			7,720,203	
Fund Balances - End Of Year			$ 7,891,874	

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		$ 965,842
New York State Department of Health:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		2,319,804
Total U.S. Department of Agriculture			**3,285,646**
U.S. Department of Health and Human Services:			
Pass through from:			
New York State Department of Social Services:			
Social Services Block Grant	93.667		1,496,239
Foster Care - Title IV-E	93.658		2,069,591
Adoption Assistance	93.659		902,383
Child Support Enforcement	93.563		529,085
Home Energy Assistance Program	93.568		2,862,893
Child Care and Development Block Grant	93.575		3,141,135
Chafee Foster Care Independent Living	93.674		55,750
Medical Assistance Program	93.778		1,484,924
Adoption Incentive Payments	93.603		263,441
Temporary Assistance for Needy Families Block Grant	93.558		5,943,182
			18,748,623
New York State Division of Alcoholism and Drug Abuse:			
Block Grant for Prevention and Treatment of Substance Abuse	93.959		167,142
New York State Department of Health:			
Immunization Grant	93.268	CO15682	26,497
Public Health Preparedness	93.283		58,266
Public Nursing Home Quality	93.994		36,346
			121,109
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		64,200
			103,200
New York State Office for the Aging:			
Aging - Title III, Part B	93.044		162,749
Aging - Title III, Part C	93.045		161,938
Aging - Title III, Part D	93.043		5,789
Aging - Title III, Part E	93.052		51,805
Aging - Title VII	93.042		28,169
Aging - WRAP	93.568		45,306
Aging - HIICAP	93.779		28,137
Aging - HEAP	93.568		41,489
Aging - Medicaid Services	93.778		240,931
Aging - Nutrition Incentive Program	93.053		51,189
			817,502
Total U.S. Department of Health and Human Services			**19,957,576**

U.S. Department of Labor:		
Pass through from:		
New York State Office for the Aging:		
Senior Community Service Employment Program	17.235	**26,586**
U.S. Department of Transportation:		
Direct Programs:		
Airport Improvement Program	20.106	5,092,999
Highway Planning and Construction	20.205	1,427,391
Federal Transit Capital Investment Grants	20.500	857,364
		7,377,754
Pass through from:		
New York State Department of Transportation:		
Federal Transit - Formula Grant	20.505	256,174
Total U.S. Department of Transportation		**7,633,928**
U.S. Department of Homeland Security:		
Direct Programs:		
Urban Areas Security Initiative	97.090	132,168
Emergency Management Assistance	97.042	25,560
Total U.S. Department of Homeland Security		**157,728**
U.S. Department of Housing and Urban Development:		
Direct Program:		
Community Development Block Grant	14.219	**750,000**
U.S. Department of Justice:		
Direct Program:		
State Criminal Alien Assistance Program	16.606	**26,826**
U.S. Environmental Protection Agency:		
Pass through from:		
New York State Department of Health:		
Source Water Assessment	66.468	**108,227**
Total Expenditures of Federal Awards		**$ 31,946,517**

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:***

Chemung County provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number		Amount Provided
Federal Transit Capital Investment Grants	20.500	$	857,364
CDBG Small Cities Program	14.219	$	735,000
Highway Planning & Construction (Safety Audit Grant)	20.205	$	11,430
Federal Transit-Metropolitan Planning Grant - STEG	20.505	$	48,150
Federal Transit-Metropolitan Planning Grant - First Transit	20.505	$	51,046
Federal Transit-Metropolitan Planning Grant - City of Elmira	20.505	$	8,570

EfP GROUP
What Counts

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, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 24, 2008. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph 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.

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.

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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 24, 2008.

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.

Eldridge, Fox & Pannetti, LLP

Elmira, New York
September 24, 2008

EfP GROUP
What Counts

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, 2007. 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.

As described in items 07-1 in the accompanying schedule of findings and questioned costs, the County of Chemung - State of New York did not comply with certain requirements applicable to the Community Development Block Grant - Small Cities Program. Compliance with such requirements is necessary, in our opinion, for the County of Chemung - State of New York to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2007. The results of our auditing procedures also disclosed another instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedules of findings and questioned costs as items 07-1.

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Internal Control Over Compliance

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

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

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.

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.

Eldridge, Fox + Panetti, LLP

Elmira, New York
September 24, 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 reporting 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:

Program Name	CFDA No.
Airport Development Aid	20.106
Temporary Assistance for Needy Families	93.558
Social Services Block Grant	93.667
Child Care and Development Block Grant	93.575
Office for the Aging Cluster	93.044, 45, 53
Foster Care Title IV-E	93.658
CDBG Small Cities Program	14.219
Child Support Enforcement	93.563
Highway, Planning & Construction	20.205
Federal Transit Formula Grant	20.505

7. The threshold for distinguishing Types A and B programs was $958,396.

8. The County of Chemung - State of New York was determined to be a high-risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

NONE

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

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.

We reviewed the status of the County of Chemung's implementation of the recommendations on the audit findings reported in the fiscal year 2006 single audit report and noted the following:

FINDING 06-1

Controls over Cash Disbursements

Condition and criteria: Testing of internal controls over cash disbursements revealed that two of the forty items examined did not appear to have been properly approved prior to payment. It was also noted that in one instance, an invoice was incorrectly calculated resulting in an overpayment of $83. It is the responsibility of the Treasurer's office to ensure that all of the documentation be properly included, the payment is properly calculated and that all payments are approved prior to issuance of payment.

Effect: Inadequate internal controls over cash disbursements increase the chance of misappropriation of cash.

Auditor's Recommendation: The County Treasurer's office should implement a policy that requires certain documents and approvals to be present prior to issuing payment.

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

FINDING 06-2

Electronic Wire Transfers

Condition and Criteria: It was noted that the Accounting Systems and Service Coordinator has the authority to initiate wire transfer payments out of the County. Transfer requests in excess of $250,000 are confirmed by the bank via a call back to the Treasurer's office. The Accounting Systems and Service Coordinator is also the individual responsible for reconciling the County bank accounts.

Effect: Incompatible duties of initiating, recording and reconciling increase the risk that a misappropriation of cash could occur and not be detected in a timely manner.

Auditor's Recommendation: The County Treasurer's office should implement policies to prevent any one individual from initiating, recording and reconciling transactions affecting cash.

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

FINDING 06-3

Segregation of Duties

Condition and Criteria: The Accounting Systems and Service Coordinator is the system administrator for the New World Financial Software. She also has the ability to initiate transactions, and reconciles all cash accounts.

Effect: Lack of segregation of duties increases the risk of misappropriation of assets occurring and not being detected.

Auditor's Recommendation: The County Treasurer's office should review personnel duties to ensure that control over high risk areas does not rest with one individual.

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

FINDING 06-4

Fixed Asset Reporting

Condition and Criteria: It is the responsibility of the County Treasurer's office to ensure that all fixed asset additions and disposals are properly identified and reported as such in the financial reports. It is also the responsibility of the County Treasurer's office to ensure that all assets meeting the County's capitalization threshold are properly included in the reports. Although significantly improved over the prior year, the reports received to audit fixed assets were incomplete and required significant adjustments.

Effect: Fixed assets reports received each year by the County Treasurer's office are incomplete and require significant time and effort to produce the information needed to report fixed assets in accordance with GASB Statement No. 34. Specifically, the additions report contained approximately $385,000 of assets that were duplicates of items already listed on the report. Also, the initial reports received did not reconcile to the amounts reported in the prior year financial statements. This resulted in a net adjustment of $25,510,461 to include the asset cost and accumulated depreciation through December 31, 2005 for the first phase of the infrastructure reporting for the period 1980-2001.

Auditor's Recommendation: The County Treasurer's office should implement a training program to ensure that all personnel responsible for the proper identification and recording of fixed assets, are aware of the current GASB standards. The Treasurer's office should also prepare all necessary reports required for auditing fixed assets and ensure that the necessary reconciliations to the general ledger data are completed and provided at the start of the audit for all equipment, capital projects, and infrastructure. The Treasurer's office should also take the necessary steps to ensure that the beginning balances of the fixed assets agree to the prior audited balances.

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

FINDING 06-5

Audit Adjustments

Condition and Criteria: It is the responsibility of the County Treasurer's office to implement internal controls over financial reporting. The auditor cannot serve as a function of the accounting internal controls. During the audit, we proposed forty-two adjusting journal entries to the government type funds and six audit adjustments to the Agency fund.

Effect: The forty-two adjustments to the government type funds resulted in a decrease of $2,463,495 to the fund balance as initially provided at the start of the audit.

Auditor's Recommendation: The County Treasurer's office should implement a closing process that provides for the preparation and review of all significant account balances to ensure that all corrections are posted prior to the start of the audit.

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

FINDING 06-6

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

Condition and Criteria: Certain documents are to be maintained in case files to provide support for proper eligibility to receive TANF assistance. A random sample of 40 cases of all active TANF cases was selected for testing. Our testing revealed nine case files having incomplete information or missing various pieces of required information.

Effect: Nine case files were missing various pieces of documentation required to substantiate eligibility, resulting in total projected questioned costs of $24,014 for those individuals for the year 2006.

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

Population and Items Tested: A sample of 40 case files was selected for audit totaling $12,553.

Auditor's Recommendation: We recommend that the Department of Social Services implement and monitor policies and procedures to ensure that case files are reviewed and payments to clients are properly authorized.

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

FINDING 06-7

Department of Health and Human Services, Child Care and Development Block Grant - CFDA No. 93.575

Condition and Criteria: Certain documents are to be maintained in case files to provide support for proper eligibility to receive child care assistance. A random sample of 40 cases of all active cases was selected for testing. Our testing revealed one case file missing the required information.

Effect: One case file was missing income documentation required to substantiate eligibility.

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

Population and Items Tested: A sample of 40 case files was selected for audit totaling $10,502.

Auditor's Recommendation: We recommend that the Department of Social Services implement and monitor policies and procedures to ensure that case files are reviewed and payments to clients are properly authorized.

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

FINDING 06-8

Department of Transportation, Airport Improvement Program - CFDA No. 20.106

Condition and Criteria: Funds were drawn down and not spent with the required 36 hour time-frame.

Effect: The County earned interest on funds in excess of the $100 limit allowed by law.

Cause: The individual responsible for drawdowns was not aware of the 36 hour requirement.

Population and Items Tested: A sample of sixteen expenditures with reimbursements totaling $6,333,185 out of a population of $7,142,775 were selected for testing. The funds for fifteen of the expenditures selected were not expended within the required time-frame.

Auditor's Recommendation: We recommend that the County implement policies and procedures to ensure that drawdowns are made only for either reimbursement purposes or for expenditures to be made within 36 hours of the drawdown.

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