



CHEMUNG COUNTY

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Jennifer Furman
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MEMORANDUM

To: Hon. Christopher J. Moss, Chemung County Executive
Hon. David L. Manchester, Chairman of Chemung County Legislature
Chemung County Legislators
Cindy Kalweit, Clerk of the Legislature

From: Jennifer Furman, Chemung County Treasurer *JF*

Date: May 6, 2019

RE: Chemung County Financial Summary at 12-31-18 (Unaudited)

I am pleased to provide the attached unaudited Financial Summary for Chemung County (the County) for the year ended 12-31-18. These are the numbers I expect to be in the County's audited financial statements for 2018, barring any additional audit adjustments. The audited financial statements will also include the activity of component units which are excluded from the primary government activity included in the attached presentation. As usual, the 2018 audited financial statements will also be available on the County's website upon completion.

The County's governmental funds (General, County Road, Road Machinery, Sewer, Solid Waste, and Capital Project) account for governmental services and functions supported primarily through sales tax, property taxes, departmental revenue, and federal and state funds. Governmental funds are accounted for using the modified accrual accounting basis to ascertain the government's current economic condition and ability to pay for current expenditures (the cost of providing services) using revenues readily available to pay those costs. Enterprise funds, on the other hand, follow full accrual accounting and are operated and financed in a manner similar to private business where the good and services provided are intended to be supported via user charges. The County operates the Chemung County Nursing Facility and the Elmira Corning Regional Airport as enterprise funds. The County uses internal services funds to collect

costs for various types of insurance (workers comp, health insurance, etc.) that are then allocated back to other funds and departments. Lastly, the County's Trust Fund is used to account for funds held by the County in a fiduciary capacity.

The general fund is the primary governmental fund used to account for the core operational activities of Chemung County government. In 2018, the general fund ended the year with a small deficit of -\$252,540, with revenues totaling \$163,586,482 and expenditures of \$163,839,022. The total general fund balance ends at \$24,470,556 for 2018, with the unassigned portion totaling \$22,644,694 or 13.82% of total expenditures.

The NYS Comptroller's Office recommends keeping a "reasonable amount" of unappropriated, unassigned fund balance to provide for operating cash flow, to protect from revenue and expenditure volatility, and for other contingencies. The County's 2019 Budget document included a chart depicting the fund balances of 15 neighboring counties. According to that charted data, the average fund balance of those 15 counties was 15%, with a high of 56% and a low of -4%. The previous administration strived for an unassigned fund balance of between 15% and 20%, and in fact many other counties set a goal of achieving a fund balance that provides for 2 months of operating expenditures (16.7%). By those measures, the County's unassigned general fund balance of \$22,644,694 (13.82%) is slightly below the 15 county average, but adequate and "reasonable" to maintain a fiscally healthy government.

For 2018, total General Fund revenues of \$163,586,482 decreased by \$6,368,210 from 2017 revenues of \$169,954,692. This decrease is deceiving, however, because 2017 included \$9,293,794 of proceeds from a refinancing of prior year general obligation bonds. Excluding that refinancing revenue source, revenue year over year actually increased by \$2,925,584. The increase in revenue is largely attributable to a significant increase in gross sales tax receipts of \$3,884,077, with sales tax growing from \$57,180,048 in 2017 to \$61,064,125 in 2018 (6.8%). In addition, real property tax revenue was also up by \$1,352,975 from \$29,227,884 in 2017 to \$30,580,860 in 2018. There were combined decreases of \$2.3 million in other departmental income, intergovernmental charges, state and federal aid, and other revenue sources.

In the General Fund, total expenditures decreased by \$5,198,827 from \$169,037,849 in 2017 to \$163,839,021 in 2018. This number is also a bit deceiving because of 2017 bond refinancing payments out (paid to escrow agent) of \$9,215,473. Excluding refinancing amount, expenditures increased by \$4,016,646 from \$159,822,376 in 2017 to \$163,839,021 in 2018. The most significant line item expenditure increases were related to payroll and fringe benefits, where payroll and health insurance combined for a total increase of approximately \$3.6 million. The increase in health insurance alone charged to the general fund from 2017 to 2018 was \$1,657,330 (19.42%), while the increase in payroll year over year in the general fund was \$1,935,612 (5.43%).

Of particular note within the general fund are the results of the Department of Social Services (DSS) for 2018 as DSS is by far the largest single department within the general fund, representing slightly over 38% of total general fund expenditures at \$62,907,915. For 2018, a 46% local share was budgeted for DSS programs and services and actual results for DSS did yield a 46% local share (excluding IGT) at \$28,937,004.

Also of note within the general fund are the transfers to other funds to support the services and activities of those funds. For 2018, the noteworthy general fund transfers to other funds are as follows:

- County Road Fund: \$7,503,287 versus \$6,397,913 in 2017 (increase \$1,105,374)
- Capital Project Fund: \$1,298,691 versus \$813,770 in 2017 (increase \$484,921)
- Airport Fund: \$ 512,107 versus \$1,054,322 in 2017 (decrease \$542,215)
- Nursing Facility (via IGT): \$3,173,388 versus \$4,546,725 in 2017 (decrease \$1,373,337)

The Nursing Facility Intergovernmental Transfer (IGT) is an optional payment to NYS DOH from the general fund to secure a Medicaid Upper Payment Limit matching share for the Nursing Facility, therefore the \$3,173,388 transferred from the General Fund in 2018 yielded Medicaid UPL revenue of \$6,346,776 for the Nursing Facility. The Nursing Facility otherwise would have had a net loss of over \$6.8 million dollars.

The results of the other governmental, enterprise, internal service, and trust and funds are also presented in the attached Financial Summary for 2018. The financial results and fund balances of the other governmental and enterprise funds play a part in the County's overall fiscal health in so much as any particular fund is self-reliant versus reliant on the general fund as a major and/or ongoing source of revenue. The IGT transfer noted above from the general fund to the nursing facility is a good example of the dependent relationship between various funds.

Overall, the County finished 2018 in stable financial position and holding steady. Based on a recent self-assessment, we expect to maintain the current "No Designation" fiscal stress score from NYS Comptroller. In addition, members of the finance team will also be working with Moody's in the coming months toward maintenance of the County's solid A1 Bond Rating, although neither score/rating is finalized and both are ultimately determined by the scoring methodologies of those outside rating agencies.

Please contact me if you have any additional questions.