

CHEMUNG FINANCIAL CORP  
Form 11-K  
June 28, 2006

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 11-K

ANNUAL REPORT TO SECTION 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934 - No Fee Required

For the Fiscal Year Ended: **December 31, 2005**

TRANSITION REPORT PURSUANT TO SECTION 15 (d) OF THE  
SECURITIES EXCHANGE ACT OF 1934 - No Fee Required  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-13888

CHEMUNG CANAL TRUST COMPANY PROFIT SHARING, SAVINGS & INVESTMENT PLAN

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(Full title of Plan)

CHEMUNG FINANCIAL CORPORATION

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(Name of issuer of the securities held pursuant to the plan)

One Chemung Canal Plaza, P.O. Box 1522  
Elmira, New York 14902  
(607) 737-3711

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(Address of principal executive offices)

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CHEMUNG CANAL TRUST COMPANY  
PROFIT SHARING, SAVINGS AND INVESTMENT PLAN

ELMIRA, NEW YORK

AUDITED FINANCIAL STATEMENTS

SUPPLEMENTAL SCHEDULE

AND

REPORT OF INDEPENDENT REGISTERED  
PUBLIC ACCOUNTING FIRM

DECEMBER 31, 2005 AND 2004

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Pension and Profit Sharing Committee  
Chemung Canal Trust Company  
Profit Sharing, Savings and Investment Plan

We have audited the accompanying statements of net assets available for benefits of the Chemung Canal Trust Company Profit Sharing, Savings and Investment Plan as of December 31, 2005 and 2004, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2005 and 2004, and the changes in net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental Schedule of Assets Held for Investment Purposes At End of Year - December 31, 2005 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic 2005 financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic 2005 financial statements taken as a whole.

Elmira, New York

May 19, 2006

CHEMUNG CANAL TRUST COMPANY

PROFIT SHARING, SAVINGS AND INVESTMENT PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

December 31,

2005

2004

ASSETS

Investments, at fair value:

Chemung Financial Corporation common stock	\$ 5,718,944	\$ 7,057,570
Chemung Canal Trust Company common trust funds:		
Short-Term Bond Fund	1,206,073	1,470,184
Core Bond Fund	1,357,995	1,443,719
Core Growth Fund	1,893,704	2,225,259
Growth and Income Fund	1,284,406	1,362,478
Mutual funds:		
Federated Prime Obligations Fund	128,062	160,027
Federated Automated Cash Management	202,553	323,285
Federated Stock Trust Fund	236,090	276,668
Artisan International Fund	442,275	426,143
Dodge & Cox Stock Fund	3,427,894	2,716,924
Nicholas Applegate International Growth Opportunities Fund	668,474	533,292
Vanguard Index Trust 500 Index Fund	679,464	664,151
Westport Select Cap Fund	568,696	481,322
AIM Small Cap Growth Fund	460,450	433,157
Federated Max Cap Fund	<u>351</u>	<u>336</u>
TOTAL INVESTMENTS	18,275,431	19,574,515
Cash and cash equivalents	22,755	92,648
Accrued income receivable	45,796	57,441

Employer contribution receivable	<u>204,325</u>	=
TOTAL ASSETS	18,548,307	19,724,604
 <u>LIABILITIES</u>		
Other liabilities	=	<u>5,744</u>
TOTAL LIABILITIES	=	<u>5,744</u>
 NET ASSETS AVAILABLE		
FOR BENEFITS	<u>\$18,548,307</u>	<u>\$19,718,860</u>

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

CHEMUNG CANAL TRUST COMPANY

PROFIT SHARING, SAVINGS AND INVESTMENT PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Year ended December 31,

2005	2004

ADDITIONS

Additions to net assets attributed to:

Investment income:

Interest and dividends	\$ 467,353	\$ 360,303
Net appreciation in fair value of investments	<u>1,031</u>	<u>115,880</u>
	468,384	476,183

Contributions:

Employer	204,325	205,560
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Participant	704,033	665,926
Rollover	<u>8,923</u>	<u>54,225</u>
	917,281	925,711
Other income	<u>15,785</u>	<u>433</u>
TOTAL ADDITIONS	1,401,450	1,402,327
 <u>DEDUCTIONS</u>		
Deductions from net assets attributed to:		
Benefits paid to participants	<u>2,572,003</u>	<u>2,227,890</u>
TOTAL DEDUCTIONS	<u>2,572,003</u>	<u>2,227,890</u>
NET DECREASE	(1,170,553)	(825,563)
Net assets available for benefits		
at beginning of year	<u>19,718.860</u>	<u>20,544,423</u>
NET ASSETS AVAILABLE FOR BENEFITS		
AT END OF YEAR	<u>\$ 18,548.307</u>	<u>\$ 19,718.860</u>

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

NOTE A: DESCRIPTION OF PLAN

The following description of the Chemung Canal Trust Company Profit Sharing, Savings and Investment Plan (the "Plan") provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution plan which was restated in 1985 to incorporate 401(k) savings and investment provisions. Under the restated plan, investment accounts attributable to employer contributions made for plan years ended before January 1, 1985 were maintained. Withdrawal privileges continue on these assets with certain limitations on frequency and amount. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Eligibility

A participant is eligible to make voluntary contributions at the beginning of the quarter following three months of employment and attainment of age 21. Subsequent to January 1, 2005, participants are immediately eligible to make voluntary contributions. A participant is eligible for discretionary employer contributions after attainment of age 21 and completion of one year of credited service.

### Vesting

Participants are immediately vested in all contributions and earnings thereon.

### Contributions

Participants may contribute up to 70% of their current compensation, as defined, for investment in one or all of the available investment alternatives. Contributions are subject to certain Internal Revenue Service limitations in each year.

The Plan sponsor may match a percentage of the voluntary contributions made by an eligible participant up to 6% of the participant's current compensation, as defined. Prior to January 1, 2001, these matching contributions were invested in Chemung Financial Corporation common stock, except for participants age 50 or greater, for which these matching contributions were participant-directed. Subsequent to January 1, 2001, these matching contributions are completely participant-directed. Subsequent to January 1, 2004 employer matching contributions are discretionary and contributed annually as directed by the Board of Directors.

Additionally, the Plan sponsor may contribute amounts annually at the discretion of the Board of Directors. Prior to July 1, 2002, these discretionary contributions were invested in Chemung Financial Corporation common stock, except for participants age 50 or greater, for which these contributions were participant-directed. Subsequent to July 1, 2002, these contributions are completely participant-directed. The Plan sponsor has the right to discontinue such discretionary contributions at any time.

### Payment of benefits

Upon termination of service, the participant's account is either maintained in the Plan, transferred to an individual retirement account in the participant's name, directly rolled over into a qualified retirement plan or paid to the participant in a lump sum.

## NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of accounting

The financial statements of the Plan are prepared under the accrual method of accounting.

### Investment valuation and income recognition

The Trustee holds the Plan's investments and executes transactions therein. Investments in equity or debt securities, or mutual funds that are traded on national securities exchanges are valued at quoted market prices. Chemung Financial Corporation's common stock is inactively traded in the over-the-counter market. Its market price is determined by the

Trustee based upon actual transactions reported by a brokerage firm that maintains a market in the stock. Units of participation in the Chemung Canal Trust Company common trust funds are valued based on the underlying quoted market value of the securities held by each fund. Purchases and sales of securities are recorded on a trade date basis.

Administrative expenses

The Plan sponsor has elected to pay certain administrative expenses of the Plan.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates and assumptions.

Payment of benefits

Benefits are recorded when paid.

Reclassifications

Certain 2004 amounts have been reclassified to conform with the 2005 presentation.

NOTE C: INVESTMENTS

The following presents the fair value of investments and the net appreciation (depreciation) in fair value. Investments that represent 5% or more of the Plan's net assets are separately identified:

December 31, 2005		December 31, 2004	
████████████████████		████████████████████	
Net		Net	
appreciation		appreciation	
(depreciation)		(depreciation)	
in fair value		in fair value	
during the year	Fair value at end of year	during the year	Fair value at end of year
████████████████	████████████████	████████████████	████████████████



## Corporation

common stock	\$ (445,633)	\$ 5,718,944	\$ (948,002)	\$ 7,057,570
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Chemung Canal  
Trust Companycommon trust  
funds:

Short-Term Bond Fund	25,096	1,206,073	22,252	1,470,184
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Core Bond Fund	25,536	1,357,995	44,924	1,443,719
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Core Growth Fund	15,850	1,893,704	222,058	2,225,259
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Growth and Income Fund	33,692	1,284,406	140,564	1,362,478
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## Mutual funds:

Dodge & Cox Stock Fund	162,961	3,427,894	330,796	2,716,924
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Other	<u>183,529</u>	<u>3,386,415</u>	<u>303,288</u>	<u>3,298,381</u>
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	<u>\$ 1,031</u>	<u>\$ 18,275,431</u>	<u>\$ 115,880</u>	<u>\$ 19,574,515</u>
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NOTE D: TAX STATUS

The Internal Revenue Service has determined and informed the Bank by a letter dated March 4, 2002, that the Plan and related trust are designed in accordance with the applicable sections of the Internal Revenue Code (IRC). The Plan has been amended since receiving the determination letter. However, the Plan administrator and the Plan's legal counsel believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of IRC.

NOTE E: PLAN TERMINATION

Although it has not expressed any intent to do so, the Plan sponsor has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants have a fully vested interest in their accounts and their accounts will be paid to them as provided by the plan document.

NOTE F: TRANSACTIONS WITH PARTIES-IN-INTEREST

Chemung Canal Trust Company (the Bank), a wholly owned subsidiary of Chemung Financial Corporation, is the Plan sponsor and acts as trustee for the Plan's assets. In addition, the Plan invests in common trust funds managed by the Bank (representing 31% and 33% of net assets at December 31, 2005 and 2004, respectively) and Chemung Financial Corporation common stock (representing 31% and 36% of net assets at December 31, 2005 and 2004, respectively).

NOTE G: RISKS AND UNCERTAINTIES

The Plan invests in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the accompanying statements of net assets available for benefits.

CHEMUNG CANAL TRUST COMPANY

PROFIT SHARING, SAVINGS AND INVESTMENT PLAN

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SUPPLEMENTAL SCHEDULE

CHEMUNG CANAL TRUST COMPANY

PROFIT SHARING, SAVINGS AND INVESTMENT PLAN

EIN: 16-0380815

PLAN #: 002

FORM 5500 - SCHEDULE H - PART IV

ITEM 4i - SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES

AT END OF YEAR - DECEMBER 31, 2005

(a)	(b)	(c)	(e)
Party	Identity of issuer, borrower, lessor or similar party	Description of investment, including maturity date, rate of interest, collateral, par or maturity value	Current value
interest	[REDACTED]	[REDACTED]	[REDACTED]
*	Chemung Financial Corporation	189,056 shares of common stock	\$ 5,718,944

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* Chemung Canal Trust Company		
common trust funds:		
Short-Term Bond Fund	110,920 units	1,206,073
Core Bond Fund	121,455 units	1,357,995
Core Growth Fund	115,261 units	1,893,704
Growth and Income Fund	70,741 units	1,284,406
Mutual funds:		
Federated Prime Obligations Fund	128,062 units	128,062
Federated Automated Cash Management	202,533 units	202,553
Federated Stock Trust Fund	7,555 units	236,090
Artisan International Fund	17,474 units	442,275
Dodge & Cox Stock Fund	24,981 units	3,427,894
Nicholas Applegate International	15,528 units	668,474
Vanguard Index Trust 500 Index Fund	5,912 units	679,464
Westport Select Cap Fund	23,539 units	568,696
AIM Small Cap Growth Fund	16,738 units	460,450
Federated Max Cap Fund	14 units	<u>351</u>
	TOTAL INVESTMENTS	<u>\$ 18,275,431</u>

Note: Certain cost information in column (d) is not required to be disclosed as investments are participant directed under an individual account plan.

