

**SCHUYLER COUNTY HUMAN SERVICES
DEVELOPMENT CORPORATION**

Watkins Glen, New York

FINANCIAL REPORT

December 31, 2008

SCHUYLER COUNTY HUMAN SERVICES DEVELOPMENT CORPORATION

DECEMBER 31, 2008

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Frederick J. Ciaschi, C.P.A.

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Schuyler County Human Services
Development Corporation
Watkins Glen, New York

We have audited the accompanying financial statements of the Schuyler County Human Services Development Corporation, a component unit of the County of Schuyler, as of and for the year ended December 31, 2008. These financial statements are the responsibility of the Schuyler County Human Services Development Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Schuyler County Human Services Development Corporation, as of December 31, 2008, and the results of its operations and its cash flows 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 February 10, 2009 on our consideration of the Schuyler County Human Services Development Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 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 considering the results of our audit.

The Management's Discussion and Analysis on pages 2-2c is not a required part of the basic financial statements but is 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Ciaschi, Dietershagen, Little, Mickelson & Company, LLP

February 10, 2009
Ithaca, New York

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SCHUYLER COUNTY HUMAN SERVICES DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008

The Schuyler County Human Services Development Corporation was created in 2006 to encourage economic growth in Schuyler County.

The following Management's Discussion and Analysis (MD&A) provides a comprehensive overview of the Corporation's financial position as of December 31, 2008, and the results of its operations for the year then ended. Management has prepared the financial statements and related footnote disclosures along with this MD&A. The MD&A should be read in conjunction with the audited financial statements and related footnotes of the Corporation, which directly follow the MD&A.

FINANCIAL HIGHLIGHTS

- The Corporation purchased and renovated the land and building site during 2007. The building and site renovation was completed as of November 1, 2007 when the building became fully occupied. Rental income was earned only during November and December 2007. The first full year of operation was in 2008.
- Total revenues were \$237,167 in 2008.
- Total expenses were \$424,901 in 2008.
- Total expenses exceeded revenues by \$187,734 in 2008.
- Net asset deficiency at December 31, 2008 amounted to \$(336,750).

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The financial statements of the Schuyler County Human Services Development Corporation have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

The basic financial statements consist of a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, a Statement of Cash Flows, and accompanying notes. These statements provide information on the financial position of the Corporation and the financial activity and results of its operations during the year. A description of these statements follows:

The Statement of Net Assets presents information on all of the Corporation's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator as to whether the financial position of the Corporation is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets presents information showing the change in the Corporation's net assets during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses reported in this statement include all items that will result in cash received or disbursed in future fiscal periods.

The Statement of Cash Flows provides information on the major sources and uses of cash during the year. The cash flow statement portrays net cash provided or used from operating, non-capital financing, capital financing, and investing activities.

SCHUYLER COUNTY HUMAN SERVICES DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2008

FINANCIAL ANALYSIS OF THE CORPORATION AS A WHOLE

The Corporation's total net assets for fiscal year ended December 31, 2008, decreased by \$187,734. Our analysis below focuses on the net assets (*Figure 1*) and changes in net assets (*Figure 2*) of the Corporation's activities.

Figure 1

Condensed Statement of Net Assets	Business-type Activities and Total Corporation		Total Dollar Change 2007 - 2008
	2007	2008	
<i>Current assets:</i>			
Cash - Unrestricted	\$ 13,220	\$ 20,504	\$ 7,284
Cash - Restricted	596,411	413,164	(183,247)
Accounts receivable	56,842	-0-	(56,842)
Rents receivable	1,084	-0-	(1,084)
Total current assets	667,557	433,668	(233,889)
<i>Noncurrent assets:</i>			
Capital assets, net	4,993,430	4,863,551	(129,879)
Organizational costs, net	5,371	4,241	(1,130)
Total assets	5,666,358	5,301,460	(364,898)
<i>Current liabilities:</i>			
Due to other governments	182,817	-0-	(182,817)
Accrued interest payable	45,119	45,119	-0-
Bonds payable in less than one year	-0-	134,346	134,346
Total current liabilities	227,936	179,465	(48,471)
<i>Noncurrent liabilities:</i>			
Bonds payable in more than one year	5,587,438	5,458,745	(128,693)
Total liabilities	5,815,374	5,638,210	(177,164)
(Deficiency) in capital assets, net of related debt	(594,008)	(729,540)	(135,532)
Restricted for debt service	423,265	413,164	(10,101)
Unrestricted net assets (deficiency)	21,727	(20,374)	(42,101)
Total net asset (deficiency)	\$ (149,016)	\$ (336,750)	\$ (187,734)

The decreases in restricted cash and due to other governments are due to the transfer of cash to Schuyler County per the bond indenture. The decrease in capital assets and deficiency investment in capital assets, net of related debt is due to depreciation expense. During the year ended December 31, 2008, the Corporation did not purchase any capital assets and there were no bond principal payments.

SCHUYLER COUNTY HUMAN SERVICES DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2008

Our analysis in *Figure 2* considers the operations of the Corporation's activities.

Figure 2

Changes in Net Assets	Business-type Activities and Total Corporation		Total Dollar Change
	2007	2008	2007 - 2008
<i>Operating revenues:</i>			
<i>Rents</i>	\$ 18,298	\$ 228,154	\$ 209,856
<i>Nonoperating revenues:</i>			
<i>Interest and dividends</i>	58,062	9,013	(49,049)
Total revenues	76,360	237,167	160,807
<i>Operating expenses:</i>			
<i>Contractual expenses</i>	4,620	17,527	12,907
<i>Depreciation and amortization expenses</i>	32,752	131,009	98,257
<i>Nonoperating expenses:</i>			
<i>Interest expense</i>	188,004	276,365	88,361
Total expenses	225,376	424,901	199,525
(DECREASE) IN NET ASSETS	\$ (149,016)	\$ (187,734)	\$ (38,718)

Rent revenue increased significantly in 2008 due to a full year of revenue being received. Similarly, depreciation and amortization expenses increased due to a full year's worth of expense being reported. Interest and dividends decreased due to a significant decrease in cash. Interest expense increased due to a full year of interest on debt obligations. Contractual expenses increased due to non-capitalizable legal fees incurred during 2008.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Corporation had invested \$4,863,551 in capital assets, net of accumulated depreciation of \$162,348, at December 31, 2008.

Figure 3

Capital Assets, Net of Depreciation

	Business-type Activities and Total Corporation		Dollar Change
	2007	2008	2007 - 2008
<i>Land</i>	\$ 40,639	\$ 40,639	\$ -0-
<i>Land improvements</i>	207,228	196,735	(10,493)
<i>Buildings and improvements</i>	4,745,563	4,626,177	(119,386)
Totals	\$ 4,993,430	\$ 4,863,551	\$ (129,879)

SCHUYLER COUNTY HUMAN SERVICES DEVELOPMENT CORPORATION
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2008

DEBT ADMINISTRATION

Debt, considered a liability of Governmental Activities, amounted to \$5,593,091 at December 31, 2008, as shown in Figure 4.

Figure 4

Outstanding Debt	Business-type Activities and Total Corporation		Total Dollar Change
	2007	2008	2007 - 2008
<i>Bonds payable</i>	\$ 5,587,438	\$ 5,593,091	\$ 5,653

Additional information and the maturities and terms of the Corporation's outstanding debt can be found in the notes to these financial statements.

FACTORS BEARING ON THE CORPORATION'S FUTURE

- There are no known factors that would have an impact on the economic climate of the community in the foreseeable future.

CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Corporation's clients, investors, and creditors with a general overview of the Corporation's finances and to demonstrate the Corporation's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Schuyler County Administrator, at 105 Ninth Street, Watkins Glen, New York 14891.

SCHUYLER COUNTY HUMAN SERVICES DEVELOPMENT CORPORATION
STATEMENT OF NET ASSETS
DECEMBER 31, 2008

ASSETS

Current Assets:	
Cash - Unrestricted	\$ 20,504
Cash - Restricted	413,164
	433,668
Noncurrent Assets:	
Capital Assets:	
Nondepreciable capital assets	40,639
Depreciable capital assets, net of accumulated depreciation	4,822,912
	4,863,551
Organizational costs, net of accumulated amortization	4,241
	4,867,792
Total Assets	\$ 5,301,460

LIABILITIES AND NET ASSET (DEFICIENCY)

Current Liabilities:	
Accrued interest payable	\$ 45,119
Bond payable - less than one year	134,346
	179,465
Noncurrent Liabilities:	
Bonds payable - more than one year	5,458,745
	5,638,210
Net Assets:	
Deficiency investment in capital assets, net of related debt	(729,540)
Restricted for debt service	413,164
Unrestricted net assets (deficiency)	(20,374)
	(336,750)
Total Liabilities and Net Assets	\$ 5,301,460

See Independent Auditor's Report and Notes to Financial Statements

SCHUYLER COUNTY HUMAN SERVICES DEVELOPMENT CORPORATION
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2008

Operating Revenues:	
Rent	\$ <u>228,154</u>
Total Operating Revenues	<u>228,154</u>
Operating Expenses:	
Contractual expenses	17,527
Depreciation and amortization (expenses)	<u>131,009</u>
Total Operating Expenses	<u>148,536</u>
Operating Income	<u>79,618</u>
Nonoperating Income (Expense):	
Interest and dividends	9,013
Interest (expense)	<u>(276,365)</u>
Total Nonoperating Loss	<u>(267,352)</u>
Total Net Loss - (Expenses) Over Revenues	(187,734)
Net Asset (Deficiency), January 1, 2008	<u>(149,016)</u>
Net Asset (Deficiency), December 31, 2008	<u>\$ <u>(336,750)</u></u>

See Independent Auditor's Report and Notes to Financial Statements

SCHUYLER COUNTY HUMAN SERVICES DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008

Cash Flows from Operating Activities:	
Cash received from providing services	\$ 229,238
Cash payments - Contractual expenses	<u>(17,527)</u>
Net Cash Provided by Operating Activities	<u>211,711</u>
Cash Flows from Noncapital Financing Activities:	
	<u>-0-</u>
Cash Flows from Capital and Related Financing Activities:	
Cash paid to other governments	(182,817)
Cash received - Land and building improvements	56,842
Cash payments - Interest expense	<u>(270,712)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>(396,687)</u>
Cash Flows from Investing Activities:	
Interest and dividend income received	<u>9,013</u>
Net Cash Provided by Investing Activities	<u>9,013</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(175,963)
Cash and Cash Equivalents, January 1, 2008	<u>609,631</u>
Cash and Cash Equivalents, December 31, 2008	<u>\$ 433,668</u>
Reconciliation of net income to net cash provided by operating activities:	
Operating income	\$ 79,618
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	131,009
Decrease in rents receivable	<u>1,084</u>
Net Cash Provided by Operating Activities	<u>\$ 211,711</u>

See Independent Auditor's Report and Notes to Financial Statements

SCHUYLER COUNTY HUMAN SERVICES DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Schuyler County Human Services Development Corporation have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Corporation has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds and has elected to do so. The more significant of the Corporation's accounting policies are described below.

A. Organization and Purpose

The Corporation was created in 2006 by the Schuyler County Legislature under the provisions of Section 1411 of the Not-For-Profit Corporation Law of the State of New York for the purpose of encouraging economic growth in Schuyler County. The Corporation is exempt from federal, state, and local income taxes. The Corporation, although established by the Schuyler County Board of Legislators, is a separate entity and operates independently of the County. The Corporation is considered a component unit of the County.

B. Basis of Accounting

The accounts of the Corporation are maintained on the accrual basis of accounting.

C. Cash and Cash Equivalents

The Corporation considers all highly liquid investments having an original maturity of three months or less to be cash equivalents.

D. Equity Classifications

Statement of Net Assets:

- Invested in Capital Assets, Net of Related Debt
Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted Net Assets
Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Unrestricted Net Assets
Consists of all other net assets that do not meet the definition of "restricted."

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

SCHUYLER COUNTY HUMAN SERVICES DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2008

F. Capital Assets

All capital assets are valued at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized.

Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives of the assets. Business-type capital assets purchased or acquired with an original cost of over \$5,000 and having a useful life of greater than one year are capitalized. The estimated useful lives for business-type capital assets are as follows:

Buildings and improvements	40 years
Land improvements	20 years

Note 2 - Detail Notes

A. Assets

1. Cash and Investments

The Schuyler County Human Services Development Corporation's investment policies are governed by State statutes. In addition, the Schuyler County Human Services Development Corporation has its own written investment policy. The Corporation's monies must be deposited in FDIC-insured commercial banks or trust companies located within the state. The Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral (security) is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and school districts, obligations of Puerto Rico, obligations of municipalities of other states, obligations of domestic corporations, mortgage related securities, commercial paper and bankers acceptances, and zero coupon obligations of the United States.

Deposits are valued at cost or cost plus interest, and are categorized as both uninsured and either (1) uncollateralized, (2) collateralized by securities held by the pledging financial institution or (3) collateralized by securities held by the pledging financial institutions' trust department or agent but not in the depositor-government's name.

Total financial institution (bank) balances at December 31, 2008, per the bank, were \$433,668 and were fully collateralized.

Restricted cash and cash equivalents at December 31, 2008 consisted of debt service reserve funds.

SCHUYLER COUNTY HUMAN SERVICES DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2008

2. Capital Assets

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

	Balance at 12/31/07	Additions	Deletions	Balance at 12/31/08
Non-depreciable Capital Assets:				
Land	\$ 40,639	\$	\$	\$ 40,639
Total Non-depreciable Capital Assets	<u>40,639</u>	<u>-0-</u>	<u>-0-</u>	<u>40,639</u>
Depreciable Capital Assets:				
Building and improvements	4,775,409			4,775,409
Land improvements	209,851			209,851
Total Depreciable Capital Assets	<u>4,985,260</u>	<u>-0-</u>	<u>-0-</u>	<u>4,985,260</u>
Total Historical Cost	<u>5,025,899</u>	<u>-0-</u>	<u>-0-</u>	<u>5,025,899</u>
Less Accumulated Depreciation:				
Building and improvements	(29,846)	(119,386)		(149,232)
Land improvements	(2,623)	(10,493)		(13,116)
Total Accumulated Depreciation	<u>(32,469)</u>	<u>(129,879)</u>	<u>-0-</u>	<u>(162,348)</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,993,430</u>	<u>\$ (129,879)</u>	<u>\$ -0-</u>	<u>\$ 4,863,551</u>

Depreciation expense amounted to \$129,879 for the year ended December 31, 2008.

3. Organizational Costs

The Corporation incurred costs related to creating the entity totaling \$4,241, net of accumulated amortization of \$1,413. These costs are amortized over five years. At December 31, 2008, amortization expense amounted to \$1,130.

B. Liabilities

1. Debt

a. Summary of Debt

The following is a statement of serial bonds with a corresponding maturity schedule:

Description	Original Date of Issue	Original Amount	Interest Rate	Date of Final Maturity	Balance December 31,
Serial Bonds:					
2007 Tax-exempt revenue bonds	4/07	\$ 5,725,000	3.5%-5%	5/1/32	\$ 5,725,000
Less: Unamortized bond issue costs					(329,855)
Add: Unamortized bond premium					197,946
Total					<u>\$ 5,593,091</u>

SCHUYLER COUNTY HUMAN SERVICES DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2008

b. Change in Indebtedness

The following represents changes in the Corporation's indebtedness during the year ended December 31, 2008:

	Balance January 1,	Additions	Deletions	Balance December 31,	Amount Due Within One Year
Serial Bonds	\$ 5,725,000	\$	\$	\$ 5,725,000	\$ 140,000
Less: Unamortized bond issue costs	(343,992)	14,137		(329,855)	(14,137)
Add: Unamortized bond premium	206,430		8,484	197,946	8,483
 Total	 <u>\$ 5,587,438</u>	 <u>\$ 14,137</u>	 <u>\$ 8,484</u>	 <u>\$ 5,593,091</u>	 <u>\$ 134,346</u>

The Corporation paid \$270,712 in interest on Bonds during the year. Interest paid on the Serial Bonds varies from year to year, in accordance with the interest rates specified in the bond agreement.

Cash paid	\$ 270,712
Less: prior year accrued interest	(45,119)
Add: current year accrued interest	45,119
Less: amortization of bond premium	(8,484)
Add: amortization of bond issue costs	14,137
 Total	 <u>\$ 276,365</u>

c. Debt Service Requirements

The following table summarizes the Corporation's future debt service requirements as of December 31, 2008:

Year	Corporation Serial Bonds		Total
	Principal	Interest	
2009	\$ 140,000	\$ 267,913	\$ 407,913
2010	145,000	262,213	407,213
2011	150,000	256,687	406,687
2012	155,000	251,350	406,350
2013	160,000	245,637	405,637
2014-2018	915,000	1,124,281	2,039,281
2019-2023	1,145,000	877,375	2,022,375
2024-2028	1,460,000	553,000	2,013,000
2029-2032	1,455,000	149,625	1,604,625
 Total	 <u>\$ 5,725,000</u>	 <u>\$ 3,988,081</u>	 <u>\$ 9,713,081</u>

SCHUYLER COUNTY HUMAN SERVICES DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2008

Note 3 - Leases

The Corporation's primary source of income is from the leasing of its facility. In addition to the lease with Schuyler County (see Note 4), there are additional leases with government agencies and not-for-profit organizations. These leases are for one year and may be extended upon written notice 60 days prior to the end of the lease term. Rents are due monthly and are based on the square-footage leased by lessee.

Note 4 - Transactions with Primary Government

The Corporation leases office space to Schuyler County. The Corporation is considered a component unit of the County because the Chairman of the County's Legislature appoints all voting and non-voting Directors of the Corporation. In addition, the Corporation primarily benefits the County. The lease amount is the debt service payments for the year less interest earned on restricted cash less net operating income. At December 31, 2008, the County paid \$112,613 and owed \$-0- on their lease rental commitment.

In addition, the Corporation's records are maintained by County employees at no charge to the Corporation.

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

To the Board of Directors
Schuyler County Human
Services Development Corporation
Watkins Glen, New York

We have audited the financial statements of the Schuyler County Human Services Development Corporation, as of and for the year ended December 31, 2008, and have issued our report thereon dated February 10, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Schuyler County Human Services Development Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Schuyler County Human Services Development Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Corporation'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 Corporation's financial statements that is more than inconsequential will not be prevented or detected by the Corporation's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting (2008-1 and 2008-2).

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 Schuyler County Human Services Development Corporation's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control 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, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Schuyler County Human Services Development Corporation'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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Schuyler County Human Services Development Corporation's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Schuyler County Human Services Development Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the audit committee, and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.



February 10, 2009
Ithaca, New York

SCHUYLER COUNTY HUMAN SERVICES DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2008

2008-1 - Policies and Procedures

Finding:

During our prior year audit, we noted a lack of Board approved policies and procedures related to the recording and reporting of financial information.

Current Status:

We did not note any new policies or procedures approved during the current year audit.

Response:

The Secretary, in conjunction with professional guidance from our accounting firm, is drafting formal policies and procedures related to financial accounting and reporting. These policies include the establishment of capitalization thresholds and estimated useful lives for capital assets, budgeting process and electronic transfer procedures. The Board will receive and review a Treasurer's report at its regularly scheduled quarterly meetings.

2008-2 - Preparation of Financial Statements

Finding:

The preparation and assembly of the Schuyler County Human Services Development Corporation's financial statements and related footnotes were done by Ciaschi, Dietershagen, Little, Mickelson & Company, LLP. While it is common for the auditor to prepare the financial statements for many small organizations, the role of the auditor continues to be expressing their opinion on those financial statements. A new auditing standard which became effective for our audit requires us to assess whether the organizations we audit are able to prepare financial statements and footnotes in accordance with generally accepted accounting principles. It is our opinion that management has not demonstrated the experience to prepare such financial statements and footnotes in accordance with generally accepted accounting principles.

Current Status:

While the trial balance did not require significant adjustment during our audit, we still do not feel management demonstrated an ability to prepare financial statements and footnotes in accordance with generally accepted accounting principles.

Response:

The Treasurer of the Corporation has received in service training from our accounting firm in the use of Quick Books for journal entries and has verified with them that the balance sheet and profit and loss statements are properly presented. Additional training will be provided as needed in municipal accounting procedures and internal controls. We are confident that in 2009 management will demonstrate the ability and experience to prepare financial statements and footnotes in accordance with generally accepted accounting principles.

SCHUYLER COUNTY HUMAN SERVICES DEVELOPMENT CORPORATION
SUMMARY OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2008

2007-1 - Partially corrected; The Board receives Treasurer reports at each meeting, however, policies and procedures related to financial reporting have not been created or approved.

2007-2 - Corrected

2007-3 - Corrected

2007-4 - Partially corrected; while the trial balance did not require significant adjustment, we still do not feel management has the accounting knowledge necessary to prepare financial statements and footnotes in accordance with GAAP.