

**SCHUYLER COUNTY HUMAN SERVICES
DEVELOPMENT CORPORATION**

Watkins Glen, New York

FINANCIAL REPORT

December 31, 2011

SCHUYLER COUNTY HUMAN SERVICES DEVELOPMENT CORPORATION
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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 Schuyler County Human Services Development Corporation (the Corporation), a component unit of the County of Schuyler, as of and for the year ended December 31, 2011. These financial statements are the responsibility of the 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 Corporation, as of December 31, 2011, 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 24, 2012 on our consideration of the 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 important for assessing 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.

A handwritten signature in cursive script that reads "Ciaschi, Dietershagen, Little, Mickelson & Company, LLP".

February 24, 2012
Ithaca, New York

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SCHUYLER COUNTY HUMAN SERVICES DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011

Schuyler County Human Services Development Corporation (the Corporation), a component unit of the County of Schuyler, 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, 2011, 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 notes to financial statements of the Corporation, which directly follow the MD&A.

FINANCIAL HIGHLIGHTS

- Total revenues were \$422,840 in 2011 compared to \$418,774 in 2010.
- Total expenses were \$402,334 in 2011 compared to \$407,278 in 2010.
- Total revenues exceeded expenses by \$20,506 in 2011 compared to an excess of revenue of \$11,496 in 2010.
- The Corporation's net deficit at December 31, 2011 amounted to \$(300,975) compared to \$(321,481) at December 31, 2010.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The financial statements of the 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, 2011

FINANCIAL ANALYSIS OF THE CORPORATION AS A WHOLE

The Corporation's total net deficit for the fiscal year ended December 31, 2011, decreased by \$20,506. Our analysis below focuses on the net deficit (*Figure 1*) and changes in net assets (*Figure 2*) of the Corporation's activities. Certain accounts in the prior-year column have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Figure 1

Condensed Statement of Net Assets	Business-type Activities and Total Corporation		Total Dollar Change
	2010	2011	2010 - 2011
<i>Current assets:</i>			
<i>Cash - Unrestricted</i>	\$ 22,759	\$ 29,775	\$ 7,016
<i>Rent receivable</i>	-	126	126
<i>Unamortized bond issue costs</i>	14,137	14,137	-
Total current assets	36,896	44,038	7,142
<i>Noncurrent assets:</i>			
<i>Cash - Restricted</i>	413,000	413,000	-
<i>Capital assets, net</i>	4,603,397	4,473,519	(129,878)
<i>Unamortized bond issue costs</i>	287,445	273,308	(14,137)
<i>Organizational costs, net</i>	1,979	-	(1,979)
Total assets	5,342,717	5,203,865	(138,852)
<i>Current liabilities:</i>			
<i>Accrued interest payable</i>	43,219	42,344	(875)
<i>Bonds payable in less than one year</i>	150,000	155,000	5,000
<i>Unamortized bond premium</i>	8,483	8,483	-
Total current liabilities	201,702	205,827	4,125
<i>Noncurrent liabilities:</i>			
<i>Bonds payable in more than one year</i>	5,290,000	5,135,000	(155,000)
<i>Unamortized bond premium</i>	172,496	164,013	(8,483)
Total liabilities	5,664,198	5,504,840	(159,358)
<i>(Deficit) investment in capital assets, net of related debt</i>	(716,000)	(701,532)	14,468
<i>Restricted for debt service</i>	413,000	413,000	-
<i>Unrestricted net (deficit)</i>	(18,481)	(12,443)	6,038
Total Net (Deficit)	\$ (321,481)	\$ (300,975)	\$ 20,506

The decrease in capital assets is due to depreciation expense. The decrease in bonds payable is due to principal paid during the year. In addition, bond issue costs and bond premium amortizations were recognized. The net of depreciation expense recognized and principal paid resulted in a decrease in the deficit investment in capital assets, net of related debt.

SCHUYLER COUNTY HUMAN SERVICES DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

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
	2010	2011	2010 - 2011
<i>Operating revenues:</i>			
<i>Rents</i>	\$ 418,699	\$ 422,795	\$ 4,096
<i>Nonoperating revenues:</i>			
<i>Interest and dividends</i>	75	45	(30)
Total revenues	418,774	422,840	4,066
<i>Operating expenses:</i>			
<i>Contractual expenses</i>	8,970	9,011	41
<i>Depreciation and amortization expenses</i>	131,408	131,857	449
<i>Nonoperating expenses:</i>			
<i>Interest expense</i>	266,900	261,466	(5,434)
Total expenses	407,278	402,334	(4,944)
INCREASE IN NET ASSETS	\$ 11,496	\$ 20,506	\$ 9,010

Interest expense decreased due to a decrease in the principal amount of bonds payable during the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Corporation had invested \$4,473,519 in capital assets, net of accumulated depreciation of \$552,380, at December 31, 2011.

Figure 3

Capital Assets, Net of Depreciation

	Business-type Activities and Total Corporation		Total Dollar Change
	2010	2011	2010 - 2011
<i>Land</i>	\$ 40,639	\$ 40,639	\$ -0-
<i>Land improvements</i>	175,538	165,216	(10,322)
<i>Buildings and improvements</i>	4,387,220	4,267,664	(119,556)
Totals	\$ 4,603,397	\$ 4,473,519	\$ (129,878)

Depreciation expense amounted to \$129,878 for the year ended December 31, 2011.

SCHUYLER COUNTY HUMAN SERVICES DEVELOPMENT CORPORATION
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

Debt Administration

Debt, considered a liability of Governmental Activities, amounted to \$5,290,000 at December 31, 2011, as shown in Figure 4.

Figure 4

<i>Outstanding Debt</i>	<i>Business-type Activities and Total Corporation</i>		<i>Total Dollar Change</i>
	<i>2010</i>	<i>2011</i>	<i>2010 - 2011</i>
<i>Bonds payable</i>	\$ 5,440,000	\$ 5,290,000	\$ (150,000)

Additional information on 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 expected to 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, 2011

ASSETS

Current Assets:	
Cash - Unrestricted	\$ 29,775
Rent receivable	126
Unamortized bond issue costs	<u>14,137</u>
Total Current Assets	<u>44,038</u>
Noncurrent Assets:	
Cash - Restricted	<u>413,000</u>
Unamortized bond issue costs	<u>273,308</u>
Capital Assets:	
Nondepreciable capital assets	40,639
Depreciable capital assets, net of accumulated depreciation	<u>4,432,880</u>
Total Capital Assets, Net	<u>4,473,519</u>
Total Noncurrent Assets	<u>5,159,827</u>
Total Assets	<u>5,203,865</u>

LIABILITIES

Current Liabilities:	
Accrued interest payable	42,344
Current portion of noncurrent liabilities:	
Bonds payable	155,000
Unamortized bond premium	<u>8,483</u>
Total Current Liabilities	<u>205,827</u>
Noncurrent Liabilities:	
Bonds payable	5,135,000
Unamortized bond premium	<u>164,013</u>
Total Noncurrent Liabilities	<u>5,299,013</u>
Total Liabilities	<u>5,504,840</u>

Net Assets (Deficit)

(Deficit) investment in capital assets, net of related debt	(701,532)
Restricted for debt service	413,000
Unrestricted net (deficit)	<u>(12,443)</u>
Total Net (Deficit)	<u>\$ (300,975)</u>

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, 2011

Operating Revenues:	
Rent	\$ <u>422,795</u>
Total Operating Revenues	<u>422,795</u>
Operating Expenses:	
Contractual expenses	9,011
Depreciation and amortization	<u>131,857</u>
Total Operating Expenses	<u>140,868</u>
Operating Income	<u>281,927</u>
Nonoperating Income (Expense):	
Interest and dividends	45
Interest (expense)	<u>(261,466)</u>
Total Nonoperating (Expense)	<u>(261,421)</u>
Total Net Income - Revenues Over (Expenses)	20,506
Net (Deficit), January 1, 2011	<u>(321,481)</u>
Net (Deficit), December 31, 2011	<u>\$ <u>(300,975)</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, 2011

Cash Flows from Operating Activities:	
Cash received from providing services	\$ 422,669
Cash payments - Contractual expenses	<u>(9,011)</u>
Net Cash Provided by Operating Activities	<u>413,658</u>
Cash Flows from Noncapital Financing Activities:	
	<u>-0-</u>
Cash Flows from Capital and Related Financing Activities:	
Cash payments - Bond principal	(150,000)
Cash payments - Interest expense	<u>(256,687)</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(406,687)</u>
Cash Flows from Investing Activities:	
Interest and dividend income received	<u>45</u>
Net Cash Provided by Investing Activities	<u>45</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,016
Cash and Cash Equivalents, January 1, 2011	<u>435,759</u>
Cash and Cash Equivalents, December 31, 2011	<u>\$ 442,775</u>
Reconciliation of net income to net cash provided by operating activities:	
Operating income	\$ 281,927
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	131,857
Increase in rents receivable	<u>(126)</u>
Net Cash Provided by Operating Activities	<u>\$ 413,658</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, 2011

Note 1 - Summary of Significant Accounting Policies

The financial statements of Schuyler County Human Services Development Corporation (the Corporation), a component unit of the County of Schuyler, 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 Board of Legislators 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.

B. Basis of Accounting

The accounts of the Corporation are maintained on the accrual basis of accounting. Certain amounts for 2010 have been reclassified to conform to the 2011 presentation.

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, 2011

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

G. Income Tax Status

The Corporation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, the Corporation is subject to routine audits by taxing jurisdictions. While there are no current audits in progress for any tax periods, the Corporation's open audit periods are 2008 through 2010.

H. Subsequent Events

Management has evaluated the effects of events subsequent to December 31, 2011, and through February 24, 2012, which is the date the financial statements were available to be issued.

Note 2 - Detail Notes

A. Assets

1. Cash and Investments

The Corporation's investment policies are governed by State statutes. In addition, the Corporation has its own written investment policy. The Corporation's monies must be deposited in Federal Deposit Insurance Corporation (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.

SCHUYLER COUNTY HUMAN SERVICES DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

Total financial institution (bank) balances at December 31, 2011, per the bank, were \$429,841 and were fully collateralized.

Restricted cash and cash equivalents at December 31, 2011 consisted of debt service reserve funds, in accordance with bond indenture.

2. Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

	<u>Balance at</u> 12/31/10	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> 12/31/11
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	<u>209,851</u>			<u>209,851</u>
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	(388,189)	(119,556)		(507,745)
Land improvements	<u>(34,313)</u>	<u>(10,322)</u>		<u>(44,635)</u>
Total Accumulated Depreciation	<u>(422,502)</u>	<u>(129,878)</u>	<u>-0-</u>	<u>(552,380)</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,603,397</u>	<u>\$ (129,878)</u>	<u>\$ -0-</u>	<u>\$ 4,473,519</u>

Depreciation expense amounted to \$129,878 for the year ended December 31, 2011.

3. Organizational Costs

The Corporation incurred costs related to creating the entity totaling \$5,654. These costs have been fully amortized at December 31, 2011. At December 31, 2011, amortization expense amounted to \$1,979 and accumulated amortization was \$5,654.

B. Debt

1. Summary of Debt

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

<u>Description</u>	<u>Original</u> <u>Date of</u> <u>Issue</u>	<u>Original</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Date of</u> <u>Final</u> <u>Maturity</u>	<u>Balance</u> <u>December 31,</u>
Serial Bonds:					
2007 Tax-exempt revenue bonds	4/07	\$ <u>5,725,000</u>	3.5%-5.0%	5/1/32	\$ <u>5,290,000</u>

SCHUYLER COUNTY HUMAN SERVICES DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

2. Changes in Indebtedness, Bond Issue Costs and Unamortized Bond Premium

The following represents changes in the Corporation's indebtedness, bond issue costs and unamortized bond premium during the year ended December 31, 2011:

	Balance January 1,	Additions	Deletions	Balance December 31,	Amount Due Within One Year
Serial Bonds	\$ 5,440,000	\$ -0-	\$ 150,000	\$ 5,290,000	\$ 155,000
Unamortized bond issue costs	\$ (301,582)	\$ 14,137	\$ -0-	\$ (287,445)	\$ (14,137)
Unamortized bond premium	\$ 180,979	\$ -0-	\$ 8,483	\$ 172,496	\$ 8,483

The Corporation paid \$256,687 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	\$ 256,687
Less: prior year accrued interest	(43,219)
Add: current year accrued interest	42,344
Less: amortization of bond premium	(8,483)
Add: amortization of bond issue costs	14,137
 Total Interest Expense	 \$ <u>261,466</u>

3. Debt Service Requirements

The following table summarizes the Corporation's future debt service requirements as of December 31, 2011:

Year	Corporation Serial Bonds		Total
	Principal	Interest	
2012	\$ 155,000	\$ 251,350	\$ 406,350
2013	160,000	245,637	405,637
2014	170,000	239,450	409,450
2015	175,000	232,981	407,981
2016	180,000	226,100	406,100
2017-2021	1,045,000	986,875	2,031,875
2022-2026	1,325,000	692,125	2,017,125
2027-2031	1,690,000	317,000	2,007,000
2032	390,000	9,750	399,750
 Total	 \$ <u>5,290,000</u>	 \$ <u>3,201,268</u>	 \$ <u>8,491,268</u>

SCHUYLER COUNTY HUMAN SERVICES DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

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 governmental 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 square-footage utilized by lessee.

Note 4 - Transactions with Primary Government

The Corporation is considered a component unit of the County because the Chairman of the Schuyler County Board of Legislators appoints all voting and non-voting Directors of the Corporation. In addition, the Corporation primarily benefits the County. The Corporation leases office space to Schuyler County. The lease amount is due April 25 and October 25 of each year and based on scheduled lease payments less the sum of the savings account balance on the payment dates less \$1,000. During the year ended December 31, 2011, the County paid \$307,254 and owed \$-0- on their lease rental commitment at year end.

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 Schuyler County Human Services Development Corporation (the Corporation) as of and for the year ended December 31, 2011, and have issued our report thereon dated February 24, 2012. 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 Corporation'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 the 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 *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 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*.

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

Lincoln, Dietershagen, Little, Nielsen & Company LLP

February 24, 2012
Ithaca, New York