
John H. Dietershagen, C.P.A.
Jerry E. Mickelson, C.P.A.
Thomas K. Van Derzee, C.P.A.
Debbie Conley Jordan, C.P.A.
Patrick S. Jordan, C.P.A.
Duane R. Shoen, C.P.A.
Lesley L. Horner, C.P.A.
D. Leslie Spurgin, C.P.A.



Ciaschi • Dietershagen • Little • Mickelson & Company, LLP

Certified Public Accountants and Consultants

Frederick J. Ciaschi, C.P.A.

COMMUNICATION LETTER

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 (the Corporation), a component unit of the County of Schuyler, New York, for the year ended December 31, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 23, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Corporation are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. We noted no transactions entered into by the Corporation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were depreciation, bond issue costs and bond premium amortization expense.

Management's estimate of depreciation expense is based on the useful lives of depreciable assets. Management's estimate of bond issue costs and bond premium amortization expenses is based on the life of the bond issued in 2007. We evaluated the key factors and assumptions used to develop the depreciation and amortization expenses in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was debt. The disclosure of debt is in Note 2.B. to the financial statements. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

CORTLAND

39 Church Street
Cortland, New York 13045
607-753-7439
fax 607-753-7874

ITHACA

401 East State Street ~ Suite 500
Ithaca, New York 14850
607-272-4444
fax 607-273-8372
www.cdlim.com

WATKINS GLEN

108 West Fourth Street
Watkins Glen, New York 14891
607-535-4443
fax 607-535-6220

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 7, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Board of Directors and management of Schuyler County Human Services Development Corporation and is not intended to be, and should not be, used by anyone other than these specified parties.



March 7, 2013

Ciaschi, Dietershagen, Little, Mickelson & Co., LLP

**SCHUYLER COUNTY HUMAN SERVICES
DEVELOPMENT CORPORATION**

Watkins Glen, New York

FINANCIAL REPORT

December 31, 2012

SCHUYLER COUNTY HUMAN SERVICES DEVELOPMENT CORPORATION
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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, New York, which collectively comprise the Corporation's basic financial statements as listed in the table of contents as of and for the year ended December 31, 2012, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Schuyler County Human Services Development Corporation as of December 31, 2012, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2-2c be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 7, 2013 on our consideration of the Corporation's internal control over financial reporting and on 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 in considering the Corporation's internal control over financial reporting and compliance.



March 7, 2013
Ithaca, New York

SCHUYLER COUNTY HUMAN SERVICES DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012

Schuyler County Human Services Development Corporation (the Corporation), a component unit of the County of Schuyler, New York, 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, 2012, 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 \$425,494 in 2012 compared to \$422,840 in 2011.
- Total expenses were \$401,264 in 2012 compared to \$402,334 in 2011.
- Total revenues exceeded expenses by \$24,230 in 2012 compared to an excess of revenue of \$20,506 at December 31, 2011.
- The Corporation's net deficit at December 31, 2012 amounted to \$(276,745) compared to \$(300,975) at December 31, 2011.

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 Position, a Statement of Activities, 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 Position presents information on all of the Corporation's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 Position presents information showing the change in the Corporation's net position during the most recent fiscal year. All changes in net position 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, 2012

FINANCIAL ANALYSIS OF THE CORPORATION AS A WHOLE

The Corporation's total net (deficit) position for the fiscal year ended December 31, 2012, decreased by \$24,230. Our analysis below focuses on the net deficit (*Figure 1*) and changes in net assets (*Figure 2*) of the Corporation's activities.

Figure 1

Condensed Statement of Net Position	Business-type Activities and Total Corporation		Total Dollar Change
	2011	2012	2011 - 2012
<i>Current assets:</i>			
<i>Cash - Unrestricted</i>	\$ 29,775	\$ 22,042	\$ (7,733)
<i>Rent receivable</i>	126	-0-	(126)
<i>Due from Schuyler County</i>	-0-	11,316	11,316
<i>Unamortized bond issue costs</i>	14,137	14,137	-0-
Total current assets	44,038	47,495	3,457
<i>Noncurrent assets:</i>			
<i>Cash - Restricted</i>	413,000	413,000	-0-
<i>Capital assets, net</i>	4,473,519	4,344,041	(129,478)
<i>Unamortized bond issue costs</i>	273,308	259,172	(14,136)
Total assets	5,203,865	5,063,708	(140,157)
<i>Current liabilities:</i>			
<i>Accrued interest payable</i>	42,344	41,440	(904)
<i>Bonds payable in less than one year</i>	155,000	160,000	5,000
<i>Unamortized bond premium</i>	8,483	8,483	-0-
Total current liabilities	205,827	209,923	4,096
<i>Noncurrent liabilities:</i>			
<i>Bonds payable in more than one year</i>	5,135,000	4,975,000	(160,000)
<i>Unamortized bond premium</i>	164,013	155,530	(8,483)
Total liabilities	5,504,840	5,340,453	(164,387)
<i>(Deficit) investment in capital assets, net of related debt</i>	(701,532)	(681,663)	19,869
<i>Restricted for debt service</i>	413,000	413,000	-0-
<i>Unrestricted net (deficit)</i>	(12,443)	(8,082)	4,361
Total Net (Deficit) Position	\$ (300,975)	\$ (276,745)	\$ 24,230

At December 31, 2012, the amount due from Schuyler County in the amount of \$11,316 is due to a recalculation of the annual rental payment. 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, 2012

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

Figure 2

Changes in Net Position	Business-type Activities and Total Corporation		Total Dollar Change
	2011	2012	2011 - 2012
<i>Operating revenues:</i>			
<i>Rents</i>	\$ 422,795	\$ 425,469	\$ 2,674
<i>Nonoperating revenues:</i>			
<i>Interest and dividends</i>	45	25	(20)
Total revenues	422,840	425,494	2,654
<i>Operating expenses:</i>			
<i>Contractual expenses</i>	9,011	15,687	6,676
<i>Depreciation and amortization expenses</i>	131,857	129,478	(2,379)
<i>Nonoperating expenses:</i>			
<i>Interest expense</i>	261,466	256,099	(5,367)
Total expenses	402,334	401,264	(1,070)
INCREASE IN NET POSITION	\$ 20,506	\$ 24,230	\$ 3,724

Interest expense decreased due to a decrease in the principal amount of bonds payable during the year. Contractual expenses increased in part because the Corporation hired a firm to complete an arbitrage calculation during 2012.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Corporation had invested \$4,344,041 in capital assets, net of accumulated depreciation of \$681,858, at December 31, 2012.

Figure 3

Capital Assets, Net of Depreciation

	Business-type Activities and Total Corporation		Total Dollar Change
	2011	2012	2011 - 2012
<i>Land</i>	\$ 40,639	\$ 40,639	\$ -0-
<i>Land improvements</i>	165,216	154,765	(10,451)
<i>Buildings and improvements</i>	4,267,664	4,148,637	(119,027)
Totals	\$ 4,473,519	\$ 4,344,041	\$ (129,478)

Depreciation expense amounted to \$129,478 for the year ended December 31, 2012.

SCHUYLER COUNTY HUMAN SERVICES DEVELOPMENT CORPORATION
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2012

Debt Administration

Debt, considered a liability of Governmental Activities, amounted to \$5,135,000 at December 31, 2012, 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>2011</i>	<i>2012</i>	<i>2011 - 2012</i>
<i>Bonds payable</i>	\$ 5,290,000	\$ 5,135,000	\$ (155,000)

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 POSITION
DECEMBER 31, 2012

ASSETS

Current Assets:

Cash - Unrestricted	\$	22,042
Due from Schuyler County		11,316
Unamortized bond issue costs		14,137
		47,495
Total Current Assets		47,495

Noncurrent Assets:

Capital Assets:

Nondepreciable capital assets		40,639
Depreciable capital assets, net of accumulated depreciation		4,303,402
		4,344,041
Total Capital Assets, Net		4,344,041

Cash - Restricted		413,000
Unamortized bond issue costs		259,172
		5,016,213
Total Noncurrent Assets		5,016,213
Total Assets		5,063,708

LIABILITIES

Current Liabilities:

Accrued interest payable		41,440
Current portion of noncurrent liabilities:		
Bonds payable		160,000
Unamortized bond premium		8,483
		209,923
Total Current Liabilities		209,923

Noncurrent Liabilities:

Bonds payable		4,975,000
Unamortized bond premium		155,530
		5,130,530
Total Noncurrent Liabilities		5,130,530
Total Liabilities		5,340,453

Net Position

(Deficit) investment in capital assets, net of related debt		(681,663)
Restricted for debt service		413,000
Unrestricted		(8,082)
		(276,745)
Total Net Position	\$	(276,745)

See Independent Auditor's Report and Notes to Financial Statements

SCHUYLER COUNTY HUMAN SERVICES DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2012

Operating Revenues:	
Rent	\$ <u>425,469</u>
Total Operating Revenues	<u>425,469</u>
Operating Expenses:	
Contractual expenses	15,687
Depreciation and amortization	<u>129,478</u>
Total Operating Expenses	<u>145,165</u>
Operating Income	<u>280,304</u>
Nonoperating Income (Expense):	
Interest and dividends	25
Interest (expense)	<u>(256,099)</u>
Total Nonoperating (Expense)	<u>(256,074)</u>
Total Net Income - Revenues Over (Expenses)	24,230
Net Position, January 1, 2012	<u>(300,975)</u>
Net Position, December 31, 2012	<u><u>\$ (276,745)</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, 2012

Cash Flows from Operating Activities:	
Cash received from providing services	\$ 414,279
Cash payments - Contractual expenses	<u>(15,687)</u>
Net Cash Provided by Operating Activities	<u>398,592</u>
Cash Flows from Noncapital Financing Activities:	
	<u>-0-</u>
Cash Flows from Capital and Related Financing Activities:	
Cash payments - Bond principal	(155,000)
Cash payments - Interest expense	<u>(251,350)</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(406,350)</u>
Cash Flows from Investing Activities:	
Interest and dividend income received	<u>25</u>
Net Cash Provided by Investing Activities	<u>25</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,733)
Cash and Cash Equivalents, January 1, 2012	<u>442,775</u>
Cash and Cash Equivalents, December 31, 2012	<u><u>\$ 435,042</u></u>
Reconciliation of net income to net cash provided by operating activities:	
Operating income	\$ 280,304
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	129,478
(Increase) in due from Schuyler County	(11,316)
Decrease in rents receivable	<u>126</u>
Net Cash Provided by Operating Activities	<u><u>\$ 398,592</u></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, 2012

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, New York, have been prepared in conformity with generally accepted accounting principles (GAAP). The more significant of the Corporation's accounting policies are described below.

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.

Basis of Accounting

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

Cash and Cash Equivalents

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

Net Position

Statement of Net Position:

- 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.
- Net Position - Restricted
Consists of net position with constraints placed on its 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.
- Net Position - Unrestricted
Consists of all other net position that do not meet the definition of "restricted."

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.

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

SCHUYLER COUNTY HUMAN SERVICES DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2012

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 2009 through 2011.

Subsequent Events

Management has evaluated the effects of events subsequent to December 31, 2012, and through March 7, 2013, which is the date the financial statements were available to be issued.

Note 2 - Detail Notes

A. Assets

1. Cash and Investments

The Corporation maintains its cash balances at a local financial institution. From time to time, these balances may exceed the limit insured by the Federal Deposit Insurance Corporation (FDIC). Deposits in excess of FDIC insurance in 2012 amounted to \$-0-.

Restricted cash and cash equivalents at December 31, 2012 consisted of debt service reserve funds, in accordance with bond indenture.

2. Capital Assets

Capital asset activity for the year ended December 31, 2012, was as follows:

	<u>Balance at</u> 12/31/11	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> 12/31/12
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	(507,745)	(119,027)		(626,772)
Land improvements	<u>(44,635)</u>	<u>(10,451)</u>		<u>(55,086)</u>
Total Accumulated Depreciation	<u>(552,380)</u>	<u>(129,478)</u>	<u>-0-</u>	<u>(681,858)</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,473,519</u>	<u>\$ (129,478)</u>	<u>\$ -0-</u>	<u>\$ 4,344,041</u>

Depreciation expense amounted to \$129,478 for the year ended December 31, 2012.

SCHUYLER COUNTY HUMAN SERVICES DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2012

B. Debt

1. 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%-5.0%	5/1/32	\$ 5,135,000

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, 2012:

	Balance January 1,	Additions	Deletions	Balance December 31,	Amount Due Within One Year
Serial Bonds	\$ 5,290,000	\$ -0-	\$ 155,000	\$ 5,135,000	\$ 160,000
Unamortized bond issue costs	\$ (287,445)	\$ 14,136	\$ -0-	\$ (273,309)	\$ (14,137)
Unamortized bond premium	\$ 172,496	\$ -0-	\$ 8,483	\$ 164,013	\$ 8,483

The Corporation paid \$251,350 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	\$ 251,350
Less: prior year accrued interest	(42,344)
Add: current year accrued interest	41,440
Less: amortization of bond premium	(8,483)
Add: amortization of bond issue costs	14,136
Total Interest Expense	\$ 256,099

3. Debt Service Requirements

The following table summarizes the Corporation's future debt service requirements as of December 31, 2012:

Year	Corporation Serial Bonds		Total
	Principal	Interest	
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	190,000	217,750	407,750
2018-2022	1,095,000	933,375	2,028,375
2023-2027	1,390,000	624,250	2,014,250
2028-2032	1,775,000	230,375	2,005,375
Total	\$ 5,135,000	\$ 2,949,918	\$ 8,084,918

SCHUYLER COUNTY HUMAN SERVICES DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2012

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, 2012, the County paid \$298,612 and owed \$11,316 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.

John H. Dietershagen, C.P.A.
Jerry E. Mickelson, C.P.A.
Thomas K. Van Derzee, C.P.A.
Debbie Conley Jordan, C.P.A.
Patrick S. Jordan, C.P.A.
Duane R. Shoen, C.P.A.
Lesley L. Horner, C.P.A.
D. Leslie Spurgin, C.P.A.



Ciaschi • Dietershagen • Little • Mickelson & Company, LLP

Certified Public Accountants and Consultants

Frederick J. Ciaschi, C.P.A.

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the 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, the financial statements of Schuyler County Human Services Development Corporation (the Corporation), which collectively comprise the Corporation's basic financial statements, as of and for the year then ended December 31, 2012, and the related notes to the financial statements, and have issued our report thereon dated March 7, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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CORTLAND

39 Church Street
Cortland, New York 13045
607-753-7439
fax 607-753-7874

ITHACA

401 East State Street ~ Suite 500
Ithaca, New York 14850
607-272-4444
fax 607-273-8372
www.cdlim.com

WATKINS GLEN

108 West Fourth Street
Watkins Glen, New York 14891
607-535-4443
fax 607-535-6220

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Lisa Dietershagen, Little, Minkler & Company, CPA". The signature is written in a cursive style.

March 7, 2013
Ithaca, New York