

**COUNTY OF SULLIVAN,
NEW YORK**

*Federal Awards Information
for the Year Ended December 31, 2017 and
Independent Auditors' Reports*

COUNTY OF SULLIVAN, NEW YORK
Table of Contents
Year Ended December 31, 2017

	<u>Page</u>
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance	3
Schedule of Expenditures of Federal Awards	6
Notes to the Schedule of Expenditures of Federal Awards	9
Schedule of Findings and Questioned Costs	10
Summary Schedule of Prior Year Audit Findings and Corrective Action Plan.....	12

Certified Public Accountants

**INDEPENDENT AUDITORS' 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 Honorable County Legislature of the
County of Sullivan, New York:

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Sullivan, New York (the "County") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 15, 2018 (which report includes an emphasis of matter paragraph regarding the implementation of GASB Statement No. 75). Our report includes a reference to other auditors who audited the financial statements of the Sullivan Tobacco Asset Securitization Corporation, Sullivan County Funding Corporation, the Sullivan County Infrastructure Local Development Corporation, Sullivan County Community College, the Sullivan County Industrial Development Agency, the Emerald Corporate Center Economic Development Corporation, and the Sullivan County Land Bank Corporation, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Sullivan County Soil and Water Conservation District were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County'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 County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County'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 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 over financial reporting 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County'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 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 entity'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.

Drescher & Malecki LLP

June 15, 2018

Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

To the Honorable County Legislature of the
County of Sullivan, New York:

Report on Compliance for Each Major Federal Program

We have audited the County of Sullivan, New York's (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2017. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The County's basic financial statements include the operations of the Sullivan County Community College, which received \$6,276,878 in federal awards, which are not included in the County's schedule of expenditures of federal awards for the year ended December 31, 2017. Our compliance audit, described below, did not include the operations of the Sullivan County Community College because other auditors were engaged to perform such audits in accordance with the Uniform Guidance.

Management's Responsibility

The County's management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of and for the year ended December 31, 2017 (with Sullivan County Community College for the year ended August 31, 2017), and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We have issued our report thereon dated June 15, 2018, which contained unmodified opinions on those financial statements and an emphasis of matter paragraph regarding the implementation of GASB Statement No. 75. We did not audit the financial statements of the Sullivan Tobacco Asset Securitization Corporation, the Sullivan County Funding Corporation, or the Sullivan County Infrastructure Local Development Corporation,

which represent 1.9 percent, 1.3 percent and 90.9 percent, respectively, of the assets, and 0.7 percent, 0.3 percent, and 0.0 percent, respectively, of the revenues of the business-type activities. We did not audit the financial statements of the Sullivan County Community College, Sullivan County Industrial Development Agency, the Emerald Corporate Center Economic Development Corporation, or the Sullivan County Land Bank Corporation, which represent 65.4 percent, 23.8 percent, 4.2 percent and 0.3 percent, respectively, of the assets, and 84.0 percent, 11.1 percent, 0.3 percent, and 0.4 percent, respectively, of the revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Sullivan Tobacco Asset Securitization Corporation, the Sullivan County Funding Corporation, the Sullivan County Infrastructure Local Development Corporation, Sullivan County Community College, Sullivan County Industrial Development Agency, the Emerald Corporate Center Economic Development Corporation, and the Sullivan County Land Bank Corporation, is based solely on the reports of the other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Drescher & Malecki LLP

June 15, 2018

COUNTY OF SULLIVAN, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

Federal Grantor/Pass-Through Grantor/Program Cluster Title (1a)	Federal CFDA Number (1b)	Pass-Through Entity Identifying Number (1c)	Passed Through to Sub- Recipients	Total Federal Expenditures (1d)
U.S. Department of Agriculture:				
Direct Programs:				
Farmers' Market and Local Food Promotion Program	10.168	N/A	\$ -	\$ 64,638
Rural Business Development Grant	10.351	N/A	-	67,614
Passed through NYS Office of Temporary and Disability Assistance:				
<i>SNAP Cluster:</i>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N/A	-	1,330,155
<i>Total SNAP Cluster</i>			-	1,330,155
Passed through NYS Department of Health:				
Special Nutrition Program for Women, Infants, and Children	10.557	C30468GG	-	494,057
Rural Business Enterprise Grant: MAP	10.769	5114586 01/ 5114586 04	-	8,400
Rural Business Enterprise Grant: MAP	10.769	N/A	-	186,500
Total U.S. Department of Agriculture			-	2,151,364
U.S. Department of Housing and Urban Development:				
Passed through New York State Community Planning and Development:				
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	1126ME7-14	-	59,598
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	1126CRF-SB841-14	-	80,000
Total U.S. Department of Housing and Urban Development			-	139,598
U.S. Department of Interior:				
Direct Program:				
Rivers, Trails and Conservation Assistance	15.921	P17PX00837	-	11,512
Total U.S. Department of Interior			-	11,512
U.S. Department of Justice:				
Direct Program:				
Bulletproof Vest Partnership Program	16.607	N/A	-	9,124
Total U.S. Department of Justice			-	9,124
U.S. Department of Labor:				
Passed through Westchester County:				
H-1B Job Training Grants	17.268	N/A	-	27,405
Passed through NYS Department of Labor:				
<i>WIA/WIOA Cluster:</i>				
WIA/WIOA Adult Program	17.258	N/A	-	179,941
WIA/WIOA Administration	17.258	N/A	-	49,517
WIA/WIOA Youth Activities	17.259	N/A	-	260,696
WIA/WIOA Dislocated Worker Formula Grants	17.278	N/A	-	138,940
<i>Total WIA/WIOA Cluster</i>			-	629,094
WIOA National Dislocated Worker Grants/WIA National Emergency Grants	17.277	EM27360-15-60-A-36	-	50,000
Total U.S. Department of Labor			-	706,499

(continued)

COUNTY OF SULLIVAN, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

Federal Grantor/Pass-Through Grantor/Program Cluster Title (1a)	Federal CFDA Number (1b)	Pass-Through Entity Identifying Number (1c)	Passed Through to Sub- Recipients	Total Federal Expenditures (1d)
U.S. Department of Transportation:				
Direct Program:				
Airport Improvement Program	20.106	N/A	-	647,429
Formula Grant for Rural Areas	20.509	N/A	-	35,003
Passed through NYS Department of Transportation:				
<i>Highway Planning and Construction Cluster:</i>				
Highway Planning and Construction	20.205	D017888,D035609, D022078	-	217,480
<i>Total Highway Planning and Construction Cluster</i>				217,480
Passed through NYS Traffic Safety Committee:				
<i>Highway Safety Cluster:</i>				
State and Community Highway Safety	20.600	00217(053)/00025(053)	-	9,837
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	C523697	-	8,413
National Priority Safety Programs	20.616	CO-00100-053/ CO-0004-5	-	6,119
<i>Total Highway Safety Cluster</i>				24,369
Total U.S. Department of Transportation			-	924,281
U.S. Department of Education:				
Passed through NYS Office of Mental Health:				
Special Education Grants for Infants and Families with Disabilities	84.181	C31665GG	-	25,884
Total U.S. Department of Education			-	25,884
U.S. Department of Health and Human Services:				
Passed through NYS Office of the Aging:				
Special Programs for the Aging Title III, Part D Disease Prevention	93.043	C48010	-	7,600
<i>Aging Cluster:</i>				
Special Programs for the Aging, Title III, Part B				
Grants for Supportive Services and Senior Centers	93.044	C48001	-	84,093
Special Programs for the Aging, Title III, Part C Nutrition Services	93.045	C48006	-	170,902
Nutrition Services Incentive Program	93.053	N/A	-	50,544
<i>Total Aging Cluster</i>				305,539
National Family Caregiver Support, Title III, Part E	93.052	C48016	-	34,301
Public Health Emergency Preparedness	93.069	1619-10/1619-11	-	70,174
Medicare Enrollment Assistance Program	93.071	N/A	-	10,003
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	N/A	-	32,677

(continued)

COUNTY OF SULLIVAN, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

Federal Grantor/Pass-Through Grantor/Program Cluster Title (1a)	Federal CFDA Number (1b)	Pass-Through Entity Identifying Number (1c)	Passed Through to Sub- Recipients	Total Federal Expenditures (1d)
Passed through NYS Department of Temporary and Disability Assistance:				
<i>Temporary Assistance for Needy Families Cluster</i>				
Temporary Assistance for Needy Families	93.558	DFS55	32,000	6,250,695
<i>Total Temporary Assistance for Needy Families Cluster</i>			<u>32,000</u>	<u>6,250,695</u>
Child Support Enforcement, Title IV-D	93.563	N/A	-	673,924
Low-Income Home Energy Assistance	93.568	N/A	-	3,615,009
<i>CCDF Cluster:</i>				
Child Care and Development Block Grant	93.575	MOU 2211	91,300	1,980,420
<i>Total CCDF Cluster</i>			<u>91,300</u>	<u>1,980,420</u>
Stephanie Tubbs Jones - Child Welfare Services Program	93.645	N/A	-	15,355
Foster Care, Title IV-E	93.658	N/A	-	1,987,998
Adoption Assistance	93.659	N/A	-	274,297
Social Services Block Grant	93.667	N/A	-	931,200
Chafee Foster Care Independence Program	93.674	N/A	-	114,909
Passed through NYS Department of Health and Human Services:				
Immunization Cooperative Agreements	93.268	C028323	-	15,546
Injury Prevention and Control Research and State and Community Based Programs	93.136	5556-01/5556-02	-	39,297
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke/Assistance Programs for Chronic Disease Prevention and Control	93.757/93.945		-	1,661
Medical Assistance Program	93.778	N/A	-	1,392,683
Maternal and Child Health Services Block Grant	93.994	Various	-	26,230
Total U.S. Department of Health and Human Services			<u>123,300</u>	<u>17,779,518</u>
Corporation for National Community Services:				
Direct Program:				
Retired and Senior Volunteer Program	94.002	N/A	-	53,861
Total Corporation for National Community Services			<u>-</u>	<u>53,861</u>
U.S. Department of Homeland Security:				
Passed through NYS Department of Homeland Security:				
Homeland Security Grant Program	97.067	C973850	-	2,712
Homeland Security Grant Program	97.067	C973860	-	43,626
Homeland Security Grant Program	97.067	C973862	-	20,615
Total U.S. Department of Homeland Security			<u>-</u>	<u>66,953</u>
Total Expenditures of Federal Awards (1e)			<u>\$ 123,300</u>	<u>\$ 21,868,594</u>

(concluded)

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

COUNTY OF SULLIVAN, NEW YORK
Notes to the Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of County of Sullivan, New York (the “County”) under programs of the federal government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position or cash flows of the County. The following notes were identified on the schedule of expenditures of federal awards:

- (a) Includes all federal award programs of the County of Sullivan, New York. The federal expenditures of the Sullivan Tobacco Asset Securitization Corporation, Sullivan County Funding Corporation, the Sullivan County Infrastructure Local Development Corporation, Sullivan County Community College, the Sullivan County Soil and Water Conservation District, the Sullivan County Industrial Development Agency, the Emerald Corporate Center Economic Development Corporation, and the Sullivan County Land Bank Corporation have not been included.
- (b) Source: Catalog of Federal Domestic Assistance.
- (c) Pass-through entity identifying numbers are presented where available.
- (d) Prepared under accounting principles generally accepted in the United States of America and includes all federal award programs.
- (e) A reconciliation to the financial statements is available.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement. Pass-through entity identifying numbers are presented where available. The County has not elected to use the 10 percent de minimus indirect cost rate, as allowed under the Uniform Guidance.

3. NONCASH AWARDS

Included in the amounts reported for CFDA No. 93.568 Low-Income Home Energy Assistance (“HEAP”) are payments to utility vendors totaling \$3,494,427. These payments are issued directly from the New York State Office of the State Comptroller. The payments are processed through the State-wide Financial System.

COUNTY OF SULLIVAN, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended December 31, 2017

Section I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of report the auditor issued: Unmodified*
 *(which report includes emphasis of matter paragraph regarding
 the implementation of GASB Statement No. 75 and a reference to other auditors)

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> None reported
Noncompliance material to the financial statements noted?	_____ Yes	_____ <input checked="" type="checkbox"/> No

Federal Awards:

Internal control over major federal programs:

Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ Yes	_____ <input checked="" type="checkbox"/> No
---	-----------	--

Identification of major federal programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number(s)</u>
Airport Improvement Program	20.106
Low-Income Home Energy Assistance	93.568
Social Services Block Grant	93.667
Medical Assistance Program	93.778

Dollar threshold used to distinguish between Type A and Type B programs?	\$ <u>750,000</u>
--	-------------------

Auditee qualified as low-risk auditee?	_____ <input checked="" type="checkbox"/> Yes	_____ <input type="checkbox"/> No
--	---	-----------------------------------

Section II. FINANCIAL STATEMENT FINDINGS

No findings noted.

Section III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings noted.

COUNTY OF SULLIVAN, NEW YORK
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2017
(Follow up of December 31, 2016 Findings)

No findings were reported.

**** THIS PAGE INTENTIONALLY LEFT BLANK ****