

**COUNTY OF SULLIVAN,
NEW YORK**

*Federal Awards Information
for the Year Ended December 31, 2016 and
Independent Auditors' Reports*

COUNTY OF SULLIVAN, NEW YORK
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Year Ended December 31, 2016

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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**

Honorable County Legislature
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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 16, 2017. Our report includes an emphasis of matter paragraph relating to the restatement of net position and fund balance and includes a reference to other auditors who audited the financial statements of the Sullivan County Community College, the Sullivan County Industrial Development Agency, Sullivan County Funding Corporation, the Emerald Corporate Center Economic Development Corporation, and the Sullivan County Infrastructure Local Development Corporation. 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 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 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 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

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

July 16, 2017

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**

Honorable County Legislature
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 U.S. *Office of Management and Budget (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, 2016. 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 \$5,462,646 in federal awards, which are not included in the County's schedule of expenditures of federal awards during the year ended December 31, 2016. 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 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* ("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, 2016.

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 as a basis for designing 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, 2016 (with Sullivan County Community College for the year ended August 31, 2016), and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated July 16, 2017, which contained unmodified opinions on those financial statements and an emphasis of matter relating to the restatement of net position and fund balance. We did not audit the financial statements of the Sullivan County Community College, Sullivan County Industrial Development Agency, Sullivan County Funding Corporation, the Emerald Corporate Center Economic Development Corporation, and the Sullivan County Infrastructure Local Development Corporation which represent

18.7 percent, 4.2 percent, 1.2 percent, 1.2 percent and 73.7 percent, respectively of the assets and 82.5 percent, 5.3 percent, 2.6 percent, 3.0 percent, 2.5 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 County Community College, Sullivan County Industrial Development Agency, Sullivan County Funding Corporation, the Emerald Corporate Center Economic Development Corporation and the Sullivan County Infrastructure Local Development 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 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

July 16, 2017

COUNTY OF SULLIVAN, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2016

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 Program:				
Farmers' Market and Local Food Promotion Program	10.168	N/A	\$ -	\$ 31,958
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	-	1,056,030
<i>Total SNAP Cluster</i>			-	1,056,030
Passed through NYS Department of Health:				
Special Nutrition Program for Women, Infants, and Children	10.557	DOH01-C30468GG-34	-	444,361
Special Nutrition Program for Women, Infants, and Children	10.557	Non-Cash (3)	-	1,362,550
Rural Business Enterprise Grant: MAP	10.769	R-PEM 04	-	118,300
Total U.S. Department of Agriculture			-	3,013,199
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 / 1126CRF-SB841-14	-	160,402
Total U.S. Department of Housing and Urban Development			-	160,402
U.S. Department of Justice:				
Direct Programs:				
Bullet Proof Vest Partnership Program	16.607	N/A	-	689
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	-	40,000
Total U.S. Department of Justice			-	40,689
U.S. Department of Labor:				
Passed through NYS Office for the Aging:				
Senior Community Service Employment Program - Title V	17.235	N/A	-	23,933
Passed through NYS Department of Labor:				
<i>WIA/WIOA Cluster:</i>				
WIA/WIOA Adult Program	17.258	N/A	-	236,987
WIA/WIOA Youth Activities	17.259	N/A	-	175,361
WIA/WIOA Administration	17.258	N/A	-	86,193
WIA/WIOA Dislocated Worker Formula Grants	17.278	N/A	-	166,428
<i>Total WIA/WIOA Cluster</i>			-	664,969
Total U.S. Department of Labor			-	688,902

(continued)

COUNTY OF SULLIVAN, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2016

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	-	353,357
Passed through NYS Department of Transportation:				
<i>Highway Planning and Construction Cluster:</i>				
Highway Planning and Construction	20.205	D017888,D022078	-	709,886
<i>Total Highway Planning and Construction Cluster</i>			-	709,886
Passed through NYS Traffic Safety Committee:				
<i>Highway Safety Cluster:</i>				
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	C523697	-	16,287
National Priority Safety Programs	20.616	CO-00100-053	-	14,500
<i>Total Highway Safety Cluster</i>			-	30,787
Total U.S. Department of Transportation			-	1,094,030
U.S. Department of Education:				
Passed through NYS Office of Mental Health:				
Special Education Grants for Infants and Families with Disabilities	84.181	C027512	-	30,273
Total U.S. Department of Education			-	30,273
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	N/A	-	9,600
<i>Aging Cluster:</i>				
Special Programs for the Aging, Title III, Part B				
Grants for Supportive Services and Senior Centers	93.044	N/A	-	105,695
Special Programs for the Aging, Title III, Part C Nutrition Services	93.045	N/A	-	363,425
Nutrition Services Incentive Program	93.053	N/A	-	49,068
<i>Total Aging Cluster</i>			-	518,188
National Family Caregiver Support, Title III, Part E	93.052	N/A	-	45,934
Public Health Emergency Preparedness	93.069	1619-10	-	71,683
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	-	26,280

(continued)

COUNTY OF SULLIVAN, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2016

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:				
Temporary Assistance for Needy Families	93.558	DFDS55	32,000	6,362,823
<i>Total Temporary Assistance for Needy Families Cluster</i>			<u>32,000</u>	<u>6,362,823</u>
Child Support Enforcement, Title IV-D	93.563	N/A	-	507,758
Low-Income Home Energy Assistance	93.568	N/A	-	3,525,339
<i>CCDF Cluster:</i>				
Child Care and Development Block Grant	93.575	MOU 2211	91,300	1,245,597
<i>Total CCDF Cluster</i>			<u>91,300</u>	<u>1,245,597</u>
Stephanie Tubbs Jones - Child Welfare Services Program	93.645	N/A	-	201,073
Foster Care, Title IV-E	93.658	N/A	-	1,903,803
Adoption Assistance	93.659	N/A	-	258,201
Social Services Block Grant	93.667	N/A	-	467,866
Chafee Foster Care Independence Program	93.674	N/A	-	31,851
Passed through NYS Department of Health and Human Services:				
Immunization Cooperative Agreements	93.268	C028323	-	19,959
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		-	4,800
Medical Assistance Program	93.778	Various	-	1,322,224
Maternal and Child Health Services Block Grant	93.994	Various	-	30,067
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP)	93.074	5002-01	-	6,531
Total U.S. Department of Health and Human Services			<u>123,300</u>	<u>16,569,580</u>
Corporation for National Community Services:				
Direct Program:				
Retired and Senior Volunteer Program	94.002	N/A	-	277,149
Total Corporation for National Community Services			<u>-</u>	<u>277,149</u>
U.S. Department of Homeland Security:				
Passed through NYS Department of Homeland Security:				
Emergency Management Performance Grants	97.042	T176445	-	25,589
Emergency Management Performance Grants	97.042	T176455	-	3,727
Homeland Security Grant Program	97.067	C973842	-	42,288
Homeland Security Grant Program	97.067	C973852	-	26,829
Homeland Security Grant Program	97.067	T180010	-	2,525
Homeland Security Grant Program	97.067	C973840	-	159,276
Homeland Security Grant Program	97.067	C973850	-	47,880
Total U.S. Department of Homeland Security			<u>-</u>	<u>308,114</u>
Total Federal Financial Assistance (1d)			<u>\$ 123,300</u>	<u>\$ 22,182,338</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, 2016

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, 2016. 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 County Community College, the Sullivan County Soil and Water Conservation District, the Sullivan County Industrial Development Agency, Sullivan County Funding Corporation, the Emerald Corporate Center Economic Development Corporation, and the Sullivan County Infrastructure Local Development Corporation have not been included.
- (b) Source: Catalog of Federal Domestic Assistance.
- (c) Pass-through entity identifying numbers are presented where available.
- (d) 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. 10.557 Special Supplemental Nutrition Program for Women, Infants and Children ("WIC") is \$1,362,550 for the fair market value of the redeemed food instruments issuances. A food instrument is a check produced through the New York State WIC Statewide Information System that is issued to WIC participants and may be redeemed to obtain WIC approved foods/formula from authorized vendors.

Included in the amount reported for CFDA No. 93.568 Low-Income Home Energy Assistance ("HEAP") are payments to utility vendors for \$3,407,115. 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, 2016

Section I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditor's report issued: Unmodified*
 *(which report includes emphasis of matter paragraph and a reference to other auditors)

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	✓ _____ No	
Significant deficiency(ies) identified?	_____ Yes	✓ _____ None reported	
Noncompliance material to the financial statements noted?	_____ Yes	✓ _____ No	

Federal Awards:

Internal control over major federal programs:

Material weakness(es) identified?	_____ Yes	✓ _____ No	
Significant deficiency(ies) identified?	_____ Yes	✓ _____ 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	✓ _____ No	
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Identification of major federal programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number(s)</u>
WIA/WIOA Cluster:	
WIA/WIOA Adult Program	17.258
WIA/WIOA Administration	17.258
WIA/WIOA Youth Activities	17.259
WIA/WIOA Dislocated Worker Formula Grants	17.278
Temporary Assistance for Needy Families	93.558

Dollar threshold used to distinguish between Type A and Type B programs?	\$ 750,000
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Auditee qualified as low-risk auditee?	✓ _____ Yes	_____ No	
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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, 2016
(Follow up of December 31, 2015 Findings)

No findings were reported.

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