

COUNTY OF SULLIVAN, NEW YORK

Single Audit Report

December 31, 2013

(With Independent Auditors' Report Thereon)

COUNTY OF SULLIVAN, NEW YORK

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;  
AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL  
AWARDS REQUIRED BY OMB CIRCULAR A-133

Members of the Sullivan  
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 OMB Circular A-133 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, 2013. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

As discussed in note 1 to the schedule of expenditures of federal awards, the County's basic financial statements include the operation of certain entities whose federal awards are not included in the schedule of expenditures of federal awards for the year ended December 31, 2013. Our audit described below, did not include the federal awards, if any, of the entities identified in note 1.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' 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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 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, 2013.

#### 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 OMB Circular A-133, 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 have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated June 30, 2014, which contained unmodified opinions on those statements. We did not audit the financial statements of Sullivan County Community College, Sullivan County Industrial Development Agency, Emerald Corporate Center Economic Development Corporation, and Sullivan County Funding Corporation which represent 98.3 percent, 98.0 percent, and 95.1 percent, respectively, of the assets, net position, and revenue of the discretely presented component units. We also did not audit the financial statements of Sullivan County Tobacco Asset Securitization Corporation which represent 30.3 percent, 43.6 percent, and 10.4 percent, respectively, of the assets, net position, and revenue of the Proprietary Funds. Those statements were audited by other auditors whose report has 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, Emerald Corporate Center Economic Development Corporation, Sullivan County Funding Corporation and Sullivan County Tobacco Asset Securitization 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 OMB circular A-133 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.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Toski & Co., CPAs, P.C.

Williamsville, New York  
July 21, 2014

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

Members of the Sullivan  
County Legislature  
County of Sullivan, 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 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, 2013, 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 30, 2014. Our report includes a reference to other auditors who audited the financial statements of Sullivan County Community College, Sullivan County Industrial Development Agency, Emerald Corporate Center Economic Development Corporation, Sullivan County Funding Corporation and Sullivan County Tobacco Asset Securitization 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.

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 County'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.

#### 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 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 County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Toski & Co., CPAs, P.C.

Williamsville, New York  
July 21, 2014

COUNTY OF SULLIVAN, NEW YORK  
Schedule of Expenditures of Federal Awards  
Year ended December 31, 2013

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture - passed through New York State: Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	N/A	\$ 1,965,629
Supplemental Nutrition Assistance Program - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N/A	<u>824,202</u>
Total U.S. Department of Agriculture			<u>2,789,831</u>
U.S. Department of Housing and Urban Development - passed through New York State: Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	N/A	131,303
Home Investment Partnerships Program	14.239	N/A	<u>111,618</u>
Total U.S. Department of Housing and Urban Development			<u>242,921</u>
U.S. Department of the Interior - National Park Service - Rivers, Trails and Conservation Assistance	15.921	N/A	<u>21,075</u>
U.S. Department of Justice - Bureau of Justice Assistance - passed through New York State - Bulletproof Vest Partnership Program	16.607	N/A	<u>13,125</u>
U.S. Department of Labor - passed through New York State: Employment Service/Wagner-Peyser Funded Activities	17.207	N/A	848
Senior Community Service Employment Program	17.235	N/A	23,304
Workforce Investment Act (WIA) National Emergency Grants	17.277	N/A	105,196
WIA Cluster:			
WIA Adult Program	17.258	N/A	158,382
WIA Youth Activities	17.259	N/A	167,588
WIA Dislocated Workers Formula Grants	17.278	N/A	<u>147,142</u>
Total WIA Cluster			<u>473,112</u>
Total U.S. Department of Labor			<u>602,460</u>

(Continued)

See accompanying notes to schedule of expenditures of federal awards.



COUNTY OF SULLIVAN, NEW YORK  
Schedule of Expenditures of Federal Awards, Continued

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>
U.S. Department of Transportation - passed through New York State:			
Airport Improvement Program	20.106	N/A	\$ 441,021
Highway Planning and Construction	20.205	N/A	203,330
Federal Transit Capital Investment Grants	20.500	N/A	135,401
Metropolitan Transportation Planning	20.505	N/A	36,702
Highway Safety Cluster:			
State and Community Highway Safety	20.600	N/A	5,125
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	N/A	<u>5,951</u>
Total Highway Safety Cluster			<u>11,076</u>
Total U.S. Department of Transportation			<u>827,530</u>
U.S. Department of Education - passed through New York State - Special Education - Grants for Infants and Families			
	84.181	N/A	<u>33,969</u>
U.S. Department of Health and Human Services - passed through New York State:			
Special Programs for the Aging:			
Title III, Part D - Disease Prevention and Health Promotion Services	93.043	N/A	6,460
Title IV and Title II - Discretionary Projects	93.048	N/A	10,643
Aging Cluster:			
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	N/A	416,908
Nutrition Services Incentive Program	93.053	N/A	<u>39,278</u>
Total Aging Cluster			<u>456,186</u>
National Family Caregiver Support, Title III, Part E	93.052	N/A	271,609
Immunization Cooperative Agreements	93.268	N/A	18,884
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	N/A	80,513
Temporary Assistance for Needy Families	93.558	N/A	6,473,996
Child Support Enforcement	93.563	N/A	460,818
Low-Income Home Energy Assistance	93.568	N/A	4,141,563
Child Care and Development Block Grant	93.575	N/A	1,500,616

(Continued)

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF SULLIVAN, NEW YORK  
Schedule of Expenditures of Federal Awards, Continued

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services - passed through New York State, Continued:			
Stephanie Tubbs Jones Child Welfare Services Program	93.645	N/A	\$ 725,350
Foster Care - Title IV-E	93.658	N/A	2,412,034
Adoption Assistance	93.659	N/A	193,676
Social Services Block Grant	93.667	N/A	974,084
Chafee Foster Care Independence Program	93.674	N/A	17,031
Medical Assistance Program	93.778	N/A	104,013,755
ARRA - Medical Assistance Program	93.778	N/A	<u>37,392</u>
Total Medical Assistance Cluster			<u>104,051,147</u>
Centers for Medicare and Medicaid Services (CMS)			
Research, Demonstrations and Evaluations	93.779	N/A	35,883
Maternal and Child Health Services Block Grant to the States	93.994	N/A	<u>26,777</u>
Total U.S. Department of Health and Human Services			<u>121,857,270</u>
Corporation for National and Community Service - passed through New York State - Retired and Senior Volunteer Program			
	94.002	N/A	<u>245,993</u>
U.S. Department of Homeland Security:			
Federal Emergency Management Agency - passed through New York State Emergency Management Office - Disaster Grants - Public Assistance (Presidentially Declared Disasters)			
	97.036	N/A	560,833
Passed through New York State:			
Homeland Security Grant Program	97.067	C836900	4,479
Homeland Security Grant Program	97.067	C836992	37,659
Homeland Security Grant Program	97.067	C836902	1,285
Homeland Security Grant Program	97.067	N/A	<u>179,008</u>
Total U.S. Department of Homeland Security			<u>783,264</u>
Total Expenditures of Federal Awards			<u>\$ 127,417,438</u>

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF SULLIVAN, NEW YORK  
Notes to Schedule of Expenditures of Federal Awards  
December 31, 2013

(1) Basis of Presentation

(a) Reporting Entity

The accompanying schedule of expenditures of Federal awards presents the activity of Federal financial assistance programs administered by County of Sullivan, New York (the County), an entity as defined in the basic financial statements except that it does not include the federal financial assistance programs, if any, of Sullivan County Community College, Sullivan County Soil and Water Conservation District, Sullivan County Industrial Development Agency, Emerald Corporate Center Economic Development Corporation, Sullivan County Funding Corporation or Sullivan County Tobacco Asset Securitization Corporation.

(b) Pass-Through Programs

Where the County receives funds from a government entity other than the Federal government (pass-through), the funds are accumulated based upon the Catalog of Federal Domestic Assistance (CFDA) number advised by the pass-through grantor.

Identifying numbers, other than CFDA numbers, which may be assigned by pass-through grantors are not maintained in the County's financial management system.

(c) Nonmonetary Federal Programs

The County is the recipient of a Federal financial assistance program that does not result in cash receipts or disbursements, termed "nonmonetary programs." During the year ended December 31, 2013, the County distributed \$22,697,668 of food vouchers to eligible persons participating in the Supplemental Nutrition Assistance Program (CFDA Number 10.551) and \$102,723,057 of medical services and goods were received by participants in the Medical Assistance Program (CFDA Number 93.778). However, the Supplemental Nutrition Assistance Program nonmonetary amount is not reflected in the schedule of expenditures of Federal awards.

New York State makes payments of benefits directly to vendors, primarily utility companies, on behalf of eligible persons participating in the Low-Income Home Energy Assistance Program (CFDA Number 93.568). Included in the amount presented on the schedule of expenditures of Federal awards is \$3,882,948 in direct payments.

The County also distributed \$1,553,611 of food vouchers to eligible persons participating in the Special Supplemental Nutrition Program for Women, Infants and Children (CFDA Number 10.557).

(2) Basis of Accounting

The schedule of expenditures of Federal awards is presented on the modified accrual basis of accounting and the amounts presented are derived from the County's general ledger. For programs with funding ceilings and caps, Federal expenditures are only recorded and presented in the schedule of expenditures of Federal awards up to such amounts.

COUNTY OF SULLIVAN, NEW YORK

Notes to Schedule of Expenditures of Federal Awards, Continued

(3) Indirect Costs

Indirect costs are included in the reported expenditures to the extent such costs are included in the Federal financial reports used as the source for the data presented.

(4) Matching Costs

Matching costs, i.e., the County's share of certain program costs are not included in the schedule of expenditures of Federal awards.

(5) Subrecipients

The following programs operated by the County provided federal awards to subrecipients during the year ended December 31, 2013.

<u>CFDA Number</u>	<u>Program</u>	<u>Amount Provided to Subrecipients</u>
17.258	WIA Adult Program	\$ 12,955
17.277	Workforce Investment ACT (WIA) National Emergency Grant	\$ 101,551
17.278	WIA Dislocated Workers Formula Grant	\$ 10,098

COUNTY OF SULLIVAN, NEW YORK  
 Schedule of Findings and Questioned Costs  
 Year ended December 31, 2013

Part I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

- |   |                                  |
|---|----------------------------------|
| Type of auditors' report issued   | Unmodified                       |
| Internal control over financial reporting:  |                                  |
| 1. Material weakness(es) identified?  | ___ Yes <u> x </u> No            |
| 2. Significant deficiency(ies) identified not considered to be material weakness(es)? | ___ Yes <u> x </u> None reported |
| 3. Noncompliance material to financial statements noted?                              | ___ Yes <u> x </u> No            |

Federal Awards:

Internal control over major programs:

- |   |                                  |
|---|----------------------------------|
| 4. Material weakness(es) identified?  | ___ Yes <u> x </u> No            |
| 5. Significant deficiency(ies) identified not considered to be material weakness(es)? | ___ Yes <u> x </u> None reported |

Type of auditors' report issued on compliance for major programs

Unmodified

- |   |                       |
|---|-----------------------|
| 6. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (Section .510(a))? | ___ Yes <u> x </u> No |
| 7. The County's major programs audited were:  |                       |

Name of Federal Program

CFDA Number

Temporary Assistance for Needy Families	93.558
Low-Income Home Energy Assistance	93.568
Medical Assistance Program	93.778

- |   |                       |
|---|-----------------------|
| 8. Dollar threshold used to distinguish between Type A and Type B programs? | \$3,000,000           |
| 9. Auditee qualified as low-risk auditee?                                   | ___ Yes <u> x </u> No |

Part II - FINANCIAL STATEMENT FINDINGS SECTION

No reportable findings.

Part III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No reportable findings.

COUNTY OF SULLIVAN, NEW YORK  
Status of Prior Audit Findings  
Year ended December 31, 2013

There were no audit findings for the year ended December 31, 2012.