

CITY OF SCHENECTADY, NEW YORK

SINGLE AUDIT

DECEMBER 31, 2018

CITY OF SCHENECTADY, NEW YORK

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**INDEPENDENT AUDITOR'S 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 Mayor and Members
of the City Council of the
City of Schenectady, 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 City of Schenectady, New York, as of and for the year ended December 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated May 20, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Schenectady, New York'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Schenectady, New York's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Schenectady, New York'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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Schenectady, New York'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 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.

A handwritten signature in black ink that reads "Cusack & Company, CPA's LLC". The signature is written in a cursive, flowing style.

CUSACK & COMPANY, CPA'S LLC

Latham, New York
May 20, 2019

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

To the Honorable Mayor and Members
of the City Council of the
City of Schenectady, New York

Report on Compliance for Each Federal Program

We have audited the City of Schenectady, New York's (the "City") compliance with the type of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Schenectady, New York's major federal programs for the year ended December 31, 2018. The City of Schenectady, New York's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Schenectady, New York'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 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 City of Schenectady, New York'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 City of Schenectady, New York's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Schenectady, New York 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, 2018.

Report on Internal Control Over Compliance

Management of the City of Schenectady, New York 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 on compliance, we considered the City of Schenectady, New York'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 City of Schenectady, New York'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 the Uniform Guidance

We have audited the financial statements of the City of Schenectady, New York as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Schenectady, New York's basic financial statements. We issued our report thereon dated May 20, 2019, which contained an unmodified opinions on *U.S. Generally Accepted*

Accounting Principles and a modified opinion on those financial statements. 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 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 financial statements as a whole.

Purpose of this Report

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.

A handwritten signature in black ink that reads "Cusack & Company, CPA's LLC". The signature is written in a cursive, flowing style.

CUSACK & COMPANY, CPA'S LLC

Latham, New York
May 20, 2019

CITY OF SCHENECTADY, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
Federal Financial Assistance of the Primary Government:		
<u>U.S. Department of Housing and Urban Development</u>		
Direct:		
Community Development Block Grants - Entitlement Grants	14.218	\$ 1,689,859
Community Development Block Grants - Recovery Grants	14.269	<u>214,500</u>
Total Community Development Block Grants		<u>1,904,359</u>
Emergency Shelter Grant:		
E-18-MC-36-0107	14.231	44,324
E-17-MC-36-0107	14.231	<u>157,195</u>
Total Emergency Shelter Grant		<u>201,519</u>
HOME Investment Partnership Program:		
M14-MC360510	14.239	124,743
M15-MC360510	14.239	134,068
M16-MC360510	14.239	286,782
M17-MC360510	14.239	286,111
M18-MC360510	14.239	<u>19,938</u>
Total HOME Investment Partnership Program		<u>851,642</u>
Shelter Plus Care	14.238	<u>199,489</u>
Lead Hazard Reduction Demonstration Grant Program	14.905	<u>1,003,316</u>
Total U.S. Department of Housing and Urban Development		<u>4,160,325</u>
<u>U.S. Department of Justice</u>		
Direct:		
Edward Byrne Memorial Justice Assistance Grant (JAG)	16.738	46,676
Bullet Proof Vest Partnership Program (BVP)	16.607	5,950
Alcohol, Tobacco, and Firearms Training Assistance	16.012	3,165
Joint Law Enforcement Operations (JLEO)	16.111	26,302
Drug Enforcement Administration (DEA)		
Law Enforcement Assistance Narcotics and Dangerous Drugs Laboratory Analysis	16.001	36,113
Police Dept Body Cams (MES)	16.835	165,000
Equitable Sharing Program	16.922	<u>3,993</u>
Total U.S. Department of Justice		<u>287,199</u>

CITY OF SCHENECTADY, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
Federal Financial Assistance of the Primary Government (Continued):		
<u>U.S. Department of Transportation</u>		
Passed Through NYS Department of Transportation		
Highway Planning and Construction	20.205	<u>3,824,394</u>
<u>U.S. Department of Homeland Security</u>		
Passed Through NYS Division of Homeland Security and Emergency Services		
Homeland Security Grant Program (WM15175352)	97.067	31,252
Homeland Security Grant Program (WM1717372)	97.067	176,997
Homeland Security Grant Program (WM16175362)	97.067	<u>32,400</u>
Total Homeland Security Grant Program		240,649
Disaster Grants - Public Assistance (4322-DR-NY-4322)	97.036	110,460
Hazard Mitigation Grant (4031-DR-NY-4031-0034)	97.039	<u>48,647</u>
Total U.S. Department of Homeland Security		<u>399,756</u>
Total Expenditures of Federal Awards of the Primary Government		<u>\$ 8,671,674</u>

CITY OF SCHENECTADY, NEW YORK
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2018

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards presents expenditures under federal financial assistance programs administered by the City of Schenectady, New York and is presented on the accrual basis of accounting.

Relationship to Financial Statements

Federal awards revenue is reported in the City of Schenectady, New York's financial statements as follows:

General Fund	\$ 176,040
Capital Projects Fund (Federal Aid)	4,038,894
Special Grant Fund (Federal Aid)	4,221,557
Amounts for Equitable Sharing Program Received in Special Revenue Funds	3,993
Federal Awards Revenue	8,440,484
Special Grant Fund (Departmental Income)	231,190
Total Federal Financial Assistance	\$ 8,671,674

2. SCOPE OF AUDIT PURSUANT TO THE UNIFORM GUIDANCE

The City of Schenectady, New York is an independent municipal corporation. All federal grant operations of the primary government and its blended component unit, are included in the scope of the single audit.

3. SUBRECIPIENTS

The City of Schenectady, New York is the primary government and provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided</u>
Shelter Plus Care YMCA	14.238	\$ <u>199,489</u>
Emergency Shelter Grants		
SCAP	14.231	78,025
Cares, Inc.	14.231	24,873
Safe, Inc.	14.231	41,967
Bethesda House	14.231	47,381
Total		192,246

CITY OF SCHENECTADY, NEW YORK
 NOTES TO SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2018

3. SUBRECIPIENTS (CONTINUED)

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided</u>
CDBG Subrecipients:		
Hamilton Hill Arts Center	14.218	25,000
Schenectady Museum (MISCI)	14.218	7,547
SCAP	14.218	28,150
Cornell Cooperative	14.218	8,000
Capital District Center for Independence	14.218	6,500
Boys & Girls Clubs of Schenectady	14.218	7,500
Bethesda House	14.218	18,995
Ancient Order of Hibernians	14.218	22,159
Schenectady Inner City Mission	14.218	10,000
YMCA	14.218	73,649
Schenectady Youth Boxing & Fitness	14.218	12,000
Schenectady County Youth Bureau	14.218	70,634
Community Land Trust (CLT)	14.218	60,609
Better Neighborhoods, Inc. (BNI)	14.218	59,794
Total		<u>410,537</u>
HOME Subrecipients (Includes Program Income):		
City of Troy, New York	14.239	421,658
Town of Colonie, New York	14.239	89,772
Better Neighborhoods, Inc. (BNI)	14.239	26,218
Community Land Trust of Schenectady, Inc. (CLT)	14.239	83,511
Schenectady Housing Development Fund Corporation	14.239	149,555
Habitat for Humanity	14.239	20,500
Bethesda House	14.239	35,725
Total		<u>826,939</u>
Lead Hazard Reduction Demonstration Grant Program		
Schenectady County, New York	14.905	149,924
		<u>\$ 1,779,135</u>

4. HUD SECTION 108 LOAN PAYABLE

The City of Schenectady has an outstanding HUD Section 108 loan payable granted under the Housing and Community Development Act of 1974 for Loan Guarantee Assistance (CFDA 14.248) for the following projects and with the following outstanding loan balances as of December 31, 2018.

• Neighborhood Stabilization Project, Long-Term Commitment No. B-13-MC-36-0107	\$ 2,555,000
• Neighborhood Stabilization Project - due within one year	<u>(155,000)</u>
• Neighborhood Stabilization Project - Long-Term	<u>\$ 2,400,000</u>

5. INDIRECT COST RATE

The City has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance. The City's indirect cost rates are set by the individual grantors.

CITY OF SCHENECTADY, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018

SECTION I — SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- “Going concern” explanatory paragraph included in audit report? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X none reported
- Significant deficiency(ies) identified reported as material weakness(es)? _____ Yes X No
- Noncompliance material to financial statements? _____ Yes X No

Federal Awards

Internal control over major programs:

- Significant deficiency(ies) identified? _____ Yes X No
- Significant deficiency(ies) reported for any major programs as a material weakness(es)? _____ Yes X No
- Any known questioned costs reported? _____ Yes X No

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

Any audit findings disclosed that are required to be reported in accordance with 2CFR Section 200.515(d)(2) of the Uniform Guidance? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? _____ Yes X No

SECTION II — FINANCIAL STATEMENT FINDINGS

None

SECTION III - SCHEDULE OF FINDINGS AND QUESTIONED COSTS

None