

**MACON COUNTY
NORTH CAROLINA**

COMPLIANCE LETTERS

FOR THE YEAR ENDED JUNE 30, 2010

MACON COUNTY, NORTH CAROLINA

COMPLIANCE LETTERS FOR THE YEAR ENDED JUNE 30, 2010

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MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

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*

Board of Commissioners
Macon County, North Carolina

We have audited the basic financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Macon County, North Carolina, as of and for the year ended June 30, 2010, not presented here, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 25, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of Macon County Airport Authority were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Macon County's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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 significant deficiency, or 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.

Our consideration of the 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 the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Macon County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, members of the Board of Commissioners, federal and State awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
October 25, 2010

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Report On Compliance With Requirements That Could Have A Direct And Material Effect On Each Major Federal Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133 And The State Single Audit Implementation Act

Board of Commissioners
Macon County, North Carolina

Compliance

We have audited Macon County, North Carolina's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Macon County's major Federal programs for the year ended June 30, 2010. Macon County's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Responses. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Macon County's management. Our responsibility is to express an opinion on Macon County's compliance based on our audit.

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*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance 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 Macon 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. Our audit does not provide a legal determination of Macon County's compliance with those requirements.

In our opinion, Macon County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of Macon County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Macon County's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act, 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 Macon 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, non-compliance 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 non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal and State Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Macon County, as of and for the year ended June 30, 2010, and have issued our report thereon dated October 25, 2010. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise Macon County's basic financial statements. The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and the State Single Audit Implementation Act and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, members of the Board of Commissioners, federal and State awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specific parties.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
October 25, 2010

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Report On Compliance With Requirements That Could Have A Direct And Material Effect On Each Major State Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133 And The State Single Audit Implementation Act

Board of Commissioners
Macon County, North Carolina

Compliance

We have audited Macon County, North Carolina's compliance with the types of compliance requirements described in applicable sections of the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Macon County's major State programs for the year ended June 30, 2010. Macon County's major State programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Responses. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major State programs is the responsibility of Macon County's management. Our responsibility is to express an opinion on Macon County's compliance based on our audit.

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; applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Macon 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. Our audit does not provide a legal determination of Macon County's compliance with those requirements.

In our opinion, Macon County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of Macon County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered Macon County's internal control over compliance with requirements that could have a direct and material effect on a major State program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal controls over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, 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 Macon 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, non-compliance with a type of compliance requirement of a State 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 non-compliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis.

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Schedule of Expenditures of Federal and State Awards

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This report is intended solely for the information and use of management, members of the Board of Commissioners, federal and State awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specific parties.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
October 25, 2010

MACON COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2010

1. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued	Unqualified
Internal control over financial reporting:	
• Material weakness identified	No
• Significant deficiency identified	None reported
Non-compliance material to financial statements noted	No

Federal Awards

Internal control over major federal programs:	
• Material weakness identified	No
• Significant deficiency identified	None reported
Type of auditors' report issued on compliance for major federal programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133	No

MACON COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2010

1. Summary of Auditors' Results (Continued)

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA#</u>
Title XIX Medicaid	93.778
Supplemental Nutrition Assist. Program Cluster	10.561
Special Supplemental Nutrition Program For Women, Infants and Children	10.557

Dollar threshold used to distinguish between Type A and Type B Programs	<u>\$970,438</u>
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Auditee qualified as low-risk auditee?	No
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State Awards

Internal control over major State programs:

- | | |
|-------------------------------------|---------------|
| • Material weakness identified | No |
| • Significant deficiency identified | None reported |

Type of auditors' report issued on compliance for major State programs	Unqualified
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Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act	No
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Identification of major State programs:

Program Name

Title XIX Medicaid Cluster
NC Department of Transportation: State Aid to Airports
Division of Water Quality: NC High Unit Cost Grant

MACON COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2010

2. Financial Statements Findings

None reported.

3. Federal Award Findings and Questioned Costs

None reported.

4. State Award Findings and Questioned Costs

None reported.

MACON COUNTY, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEARS' AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

No prior year findings.

MACON COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2010

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
Federal Awards			
<u>U.S. Department of Agriculture</u>			
Food and Nutrition Service			
Passed through the N.C. Department of Health and Human Services:			
Division of Social Services:			
Administration:			
Supplemental Nutrition Assist. Program Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Prog	10.561	\$ 232,541	\$ -
AARA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	45,549	-
Total Supplemental Nutrition Assist. Program Cluster:		278,089	-
Division of Public Health:			
Administration:			
Special Supplemental Nutrition Program for Women Infant and Children	10.557	191,225	-
Direct Benefit Payments:			
Special Supplemental Nutrition Program for Women Infant and Children	10.557	719,422	-
Child and Adult Care food program	10.558	15,447	-
Total Women, Infants and Children:		926,094	-
Total U.S. Department of Agriculture		1,204,183	-
<u>U.S. Department of Health and Human Services</u>			
Passed through Centralina Council of Governments:			
Title III-E caregiver Grant (Aging)	93.052	-	48,445
Passed through the N.C. Department of Health and Human Services:			
Division of Social Services:			
Foster and Adoption Cluster:			
Administration:			
Title IV-E Foster Care	93.658	218,750	17,957
Title IV-E Adoption Assistance	93.659	8,417	-
Direct Benefit Payments:			
Title IV-E Adoption Assistance	93.659	119,733	20,649
Title IV-E Foster Care	93.658	258,061	53,459
Total Foster and Adoption Cluster:		604,961	92,064
Administration:			
Temporary Assistance for Needy Families	93.558	519,265	-
Low Income Energy Assistance/Crisis Intervention	93.568	178,881	-
Permanency Planning	93.645	9,769	2,861
Social Services Block Grant	93.667	113,757	23,010
LINKS	93.674	3,900	975
CCDF	93.596	79,630	-
North Carolina Health Choice	93.767	26,912	1,629
Family Preservation	93.556	1,988	-
Direct Benefit Payments:			
Temporary Assistance for Needy Families	93.558	49,277	-
Low Income Energy Assistance	93.568	309,574	-
LINKS	93.674	2,032	-
Total Division of Social Services		1,899,945	120,540

MACON COUNTY, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Federal Expenditures	State Expenditures
Passed through the N.C. Department of Health and Human Services:			
Division of Public Health:			
Maternal and Child Health Services Block Grant	93.994	231,760	-
Immunization Program - Aid to County Funding	93.268	22,474	-
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	174,540	-
Family Planning Services	93.218	26,759	-
Statewide Health Promotion Program	93.991	5,603	-
Temporary Assistance for Needy Families	93.558	1,862	-
Total Division of Public Health		462,998	-
Division of Medical Assistance:			
Title XIX - Medicaid Administration	93.778	472,649	10,108
Title XIX - Medicaid Direct Benefit Payments	93.778	27,226,014	9,392,107
Medicaid Transportation ARRA	93.778	28,071	(25,983)
Total Division of Medical Assistance		27,726,734	9,376,232
Passed through the N.C. Department of Health and Human Services:			
Department of Energy			
Office of Economic Opportunity:			
Heating and Air Repair and Replacement Program - Contract #1061WA	93.568	26,193	-
Weatherization Assistance Program - Contract #1061WA	81.042	46,421	-
Weatherization ARRA Funds	81.402	120,691	-
Total Department of Energy Office of Economic Opportunity		193,305	-
Division of Aging and Adult Services:			
Southwestern Economic and Development Commission			
Home Delivered Meals - ARRA	93.705	5,177	-
Congregate Meals	93.707	10,539	-
Total Division of Aging and Adult Services		15,716	-
Total U.S. Department of Health and Human Services		30,298,698	9,552,830
<u>U.S. Department of Homeland Security</u>			
Passed through the N.C. Department of Crime Control and Public Safety:			
Emergency Management	97.042	47,979	-
<u>U.S. Department of Transportation</u>			
Federal Transit Administration:			
Passed through the N.C. Department of Transportation			
Airport Improvement Program	20.106	300,001	-
Transit Capital Assistance - ARRA - 10-AR-027	20.209	111,094	-
Formula Grants for Other than Urbanized Areas	20.509	160,019	10,231
Total U.S. Department of Transportation		571,114	10,231

MACON COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2010

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through the N.C. Department of Commerce:			
Small Cities Community Development Block Grant	14.228	157,500	-
Passed through the N.C. Housing Finance Agency:			
Urgent Repair Grant Agreement URP1014		37,500	-
Federal HOME Funds	14.239	30,948	-
Total U.S. Department of Housing and Urban Development		<u>225,948</u>	<u>-</u>
Total Federal Assistance		<u>\$ 32,347,923</u>	<u>\$ 9,611,506</u>
State Grants			
<u>N.C. Department of Health and Human Services</u>			
Division of Social Services:			
Administration:			
CPS Expansion-State		-	70,905
State Aid to Counties		-	-
Adoption/Foster Care		-	51,284
Energy Assist Private Grants		-	19,319
State Adult Protective Service		-	19,600
Direct Benefits:			
SC/SA Domiciliary Care		-	174,738
State Foster Home		-	11,892
Adoption Subsidy		-	9,466
SFHF Maximization		-	30,298
F/C Special Provision		-	51,984
F/C At Risk		-	2,058
F/C At Risk Maximization		-	994
Passed through the Region A Partnership for Children:			
Smart Start		-	36,843
Division of Public Health:			
General		-	97,720
Communicable Disease		-	10,678
AIDS-State		-	417
TB Medical Services		-	540
Women's Preventative Health		-	7,000
Breast and Cervical Cancer Control		-	12,750
Tuberculosis		-	1,580
Risk Reduction/ Health Promotion		-	21,364
Wisewoman		-	6,412
LHD Smokefree Law		-	1,137
Preparedness and Response		-	40,360
NC Health and Trust Fund Commission:			
NC Health and Wellness-Tobacco		-	56,058

MACON COUNTY, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Federal Expenditures	State Expenditures
Division of Medical Assistance:			
Medicaid Enhancement Funds		-	76,000
Total N.C. Department of Health and Human Services		-	811,396
<u>N.C. Department of Transportation</u>			
State Aid to Airports - WBS#36244.2.7.2		-	757,889
State Aid to Airports - WBS#36244.2.9.1		-	131,000
ROAP-Work-First		-	9,474
ROAP-Rural General Public		-	76,047
Emergency Preparedness Grant		-	57,114
ROAP-Elderly and Disabled Transportation		-	74,470
Total N.C. Department of Transportation		-	1,105,994
<u>N.C. Department of Environment and Natural Resources</u>			
DENR Wastewater Reimbursement		-	3,300
SWC - Administration			4,000
DWM-Scrap Tire Fund-SWMGT		-	27,957
DEH-Environmental Health Serv		-	5,500
DEH-Food/Lodging Fee Collection		-	6,379
PPA- Off Waste Red Trust Fund		-	1,348
Division of Water Quality:			
High Unit Cost Grant Account - E-SRG-T-02-0134		-	1,841,436
Division of Environmental Health			
DWSRF Principal Forgiveness Loan - DEH-1275		-	120,000
Total N.C. Department of Environment and Natural Resources		-	2,009,920
<u>N.C. Department of Administration</u>			
Veterans Service Officer		-	2,000
<u>N.C. Department of Crime Control and Public Safety</u>			
Governor's Crime Commission			
Narcotics Grant		-	47,662
<u>N.C. Department of Public Instruction</u>			
Public School Building Capital Fund			
NC Lottery Proceeds		-	586,817
<u>N.C. Department of Corrections</u>			
Division of Community Corrections			
Criminal Justice Partnership Program		-	49,191
Total State Assistance		\$ 32,347,923	\$ 14,224,487

MACON COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2010

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
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Notes to the Schedule of Expenditures of Federal and State Awards:

1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of Macon County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Benefit payments are paid directly to recipients and are not included in the County's basic financial statements. However, due to the County's involvement in determining eligibility, they are considered federal awards to the County and are included on this schedule.

2. The following are clustered by the NC Department of Health and Human Services and are treated separately for State audit requirement purposes:

Foster Care and Adoption