

MACON COUNTY NORTH CAROLINA

COMPLIANCE LETTERS

FOR THE YEAR ENDED JUNE 30, 2009

MACON COUNTY, NORTH CAROLINA

COMPLIANCE LETTERS FOR THE YEAR ENDED JUNE 30, 2009

TABLE OF CONTENTS

	<u>Page</u>
Report Internal Control Over Financial Reporting and On Compliance and Other Matters Based On An Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
Report On Compliance With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act	3-4
Report On Compliance With Requirements Applicable to Each Major State Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act	5-6
Schedule of Findings:	
Schedule of Findings, Responses, and Questioned Costs	7-9
Summary Schedule of Prior Year Findings	10
Schedule of Expenditures of Federal and State Awards	11-14

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Macon County, North Carolina, as of and for the year ended June 30, 2009, not presented here, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 21, 2009. 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control over financial reporting that might be 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, and 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 21, 2009

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

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

Report On Compliance With Requirements Applicable To Each Major Federal Program And 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 the compliance of Macon County, North Carolina, 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 are applicable to each of its major federal programs for the year ended June 30, 2009. Macon County, North Carolina's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings, Responses, and Questioned Costs. 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 requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in a County's internal control over compliance 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 non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Macon County, as of and for the year ended June 30, 2009, and have issued our report thereon dated October 21, 2009. 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 21, 2009

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

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

Report On Compliance With Requirements Applicable To Each Major State Program And Internal Control Over Compliance In Accordance With Applicable Sections Of OMB Circular A- 133 And The State Single Audit Implementation Act

Board of Commissioners
Macon County, North Carolina

Compliance

We have audited the compliance of Macon County, North Carolina, with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2009. Macon County's major State programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings, Responses, and Questioned Costs. 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, North Carolina'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 as described in the *Audit Manual for Governmental Auditors in North Carolina*, 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 requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2009.

Internal Control Over Compliance

The 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in a County's internal control over compliance 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 non-compliance with a type of compliance requirement of a State program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a State program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a State program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material non-compliance with a type of compliance requirement of a State program will not be prevented or detected by the County's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Macon County, as of and for the year ended June 30, 2009, and have issued our report thereon dated October 21, 2009. 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 21, 2009

MACON COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

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 that are not considered to be a material weakness	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 that are not considered to be material weaknesses	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, RESPONSES, AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2009

1. Summary of Auditors' Results (Continued)

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA#</u>
Title XIX Medicaid Cluster	93.778
Food Stamp Cluster:	
Food Stamp Program	10.551
Food Stamp Administration	10.561
Special Supplemental Nutrition Program	
For Women, Infants and Children	10.557
State Children's Insurance Program	93.767

Dollar threshold used to distinguish between Type A and Type B Programs	<u>\$1,037,838</u>
---	--------------------

Auditee qualified as low-risk auditee?	No
--	----

State Awards

Internal control over major State programs:

- | | |
|---|---------------|
| • Material weakness identified | No |
| • Significant deficiency identified that are not considered to be material weaknesses | None reported |

Type of auditors' report issued on compliance for major State programs	Unqualified
--	-------------

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act	No
--	----

Identification of major State programs:

Program Name

Title XIX Medicaid Cluster
Public School Building Capital Fund
Including NC Lottery Proceeds

MACON COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

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, 2009

No prior year findings.

MACON COUNTY, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Federal Expenditures	State Expenditures
Federal Awards			
<u>U.S. Department of Agriculture</u>			
Passed through the N.C. Department of Health and Human Services:			
Division of Social Services:			
Food Stamp Cluster:			
Direct Benefit Payments	10.551	\$ 4,948,342	\$ -
FNS Services Recovery - SNAP AARA	10.561	12,138	-
Food Stamp Administration	10.561	252,846	-
Total Food Stamp Cluster		5,213,326	-
Division of Women and Children:			
Women, Infants and Children Administration	10.557	160,241	-
Women, Infants and Children Direct Benefit	10.557	795,349	-
Child and Adult Care food program	10.558	13,581	-
Total Women, Infants and Children		969,171	-
Total U.S. Department of Agriculture		6,182,497	-
<u>U.S. Department of Health and Human Services</u>			
Passed through Centralina Council of Governments:			
Title III-E caregiver Grant (Aging)	93.052	-	44,196
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	142,038	2,460
Title IV-E Adoption Assistance	93.659	15,425	-
Direct Benefit Payments:			
Title IV-E Adoption Assistance	93.659	77,568	14,037
Title IV-E Foster Care	93.658	260,616	48,944
Total Foster and Adoption Cluster:		495,647	65,441
Administration:			
Temporary Assistance for Needy Families	93.558	376,619	142,924
Low Income Energy Assistance/Crisis Intervention	93.568	212,363	-
Permanency Planning	93.645	9,568	2,460
Social Services Block Grant	93.667	115,312	25,646
LINKS	93.674	3,900	975
CCDF	93.596	80,000	-
North Carolina Health Choice	93.767	25,911	1,786
Direct Benefit Payments:			
Temporary Assistance for Needy Families	93.558	72,298	44
Low Income Energy Assistance	93.568	240,059	-
LINKS	93.674	3,764	-
AFDC	93.560	263	72
Total Division of Social Services		1,140,057	239,348
Passed through the N.C. Department of Health and Human Services:			
Division of Public Health:			
Maternal and Child Health Services Block Grant	93.994	219,388	-
Breast and Cervical Cancer	93.919	204	-
Immunization Program - Aid to County Funding	93.268	21,974	-
Prevention Investigations and Technical Assistance	93.283	45,339	-
Family Planning Services	93.217	33,349	-
TANF	93.558	1,862	-
Total Division of Public Health		322,116	-

MACON COUNTY, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Federal Expenditures	State Expenditures
Division of Medical Assistance:			
Title XIX - Medicaid Administration	93.778	515,552	10,164
Title XIX - Medicaid Direct Benefit Payments	93.778	25,326,716	9,579,963
Total Division of Medical Assistance		25,842,268	9,590,127
Total U.S. Department of Health and Human Services		27,800,088	9,883,351
<u>U.S. Department of Homeland Security</u>			
Passed through the N.C. Department of Crime Control and Public Safety:			
Byrne Justice Assistance Grants	16.738	51,558	-
Emergency Management	97.042	46,026	-
Total U.S. Department of Homeland Security		97,584	-
<u>U.S. Department of Transportation</u>			
Federal Transit Administration:			
Passed through the N.C. Department of Transportation			
Airport Improvement Program	20.106	140,535	-
Formula Grants for Other than Urbanized Areas	20.509	268,919	24,250
Total U.S. Department of Transportation		409,454	24,250
<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	61,650	-
Passed through the N.C. Housing Finance Agency			
Federal HOME Funds	14.239	43,329	-
Total Federal Assistance		\$ 34,594,602	\$ 9,907,601
State Grants			
<u>N.C. Department of Health and Human Services</u>			
Division of Social Services:			
Administration:			
CPS Expansion-State		-	84,372
State Aid to Counties		-	18,108
AFDC Incent/Prog Integrity		-	31
Adoption/Foster Care		-	49,903
TANF Incentive/Program Integrity		-	373
Energy Assist Private Grants		-	14,796
State Adult Protective Service		-	23,349
Direct Benefits:			
SC/SA Domiciliary Care		-	180,381
State Foster Home		-	18,218
Adoption Subsidy		-	6,126
SFHF Maximization		-	23,292
F/C Special Provision		-	52,686
F/C At Risk		-	508
F/C At Risk Maximization		-	12
Passed through the Region A Partnership for Children:			
Smart Start		-	81,502

MACON COUNTY, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Federal Expenditures	State Expenditures
Division of Public Health:			
General		-	107,370
Public Health Nurse Training		-	800
Communicable Disease		-	10,678
AIDS		-	500
Women's Preventative Health		-	7,000
Breast and Cervical Cancer Control		-	11,220
Healthy Carolinas Partnership Support		-	5,727
Minority Health		-	7,454
Tuberculosis		-	1,580
Risk Reduction/ Health Promotion		-	28,486
Wisewoman		-	15,033
Preparedness and Response		-	32,125
NC Health and Trust Fund Commission			
NC Health and Wellness-Tobacco		-	53,876
Total N.C. Department of Health and Human Services		-	835,506
<u>N.C. Department of Transportation</u>			
Macon County Airport Authority -WBS#36244.2.7.2		-	79,204
ROAP - WorkFirst		-	7,865
ROAP-Rural General Public		-	68,939
Emergency Preparedness Grant		-	62,918
State of NC GHSP Grant		-	48,451
ROAP-Elderly and Disabled Transportation		-	74,439
Total N.C. Department of Transportation		-	341,816
<u>N.C. Department of Environment and Natural Resources</u>			
DENR Wastewater Reimbursement		-	2,250
DWM-Scrap Tire Grant		-	54,426
White Goods Tax		-	10,571
Passed through the Rural Center:			
North Carolina Clean Water Bond Act		-	17,800
Total N.C. Department of Environment and Natural Resources		-	85,047
<u>N.C. Department of Administration</u>			
Veterans Service Officer		-	2,000
<u>N.C. Department of Crime Control and Public Safety</u>			
Department of Juvenile Justice & Delinquency Prevention			
Narcotic Grant		-	47,228
<u>N.C. Department of Agriculture</u>			
Pesticide/Recycling Grant		-	5,836
<u>NC Department of Public Instruction</u>			
School Planning - Division of School Support			
NC Lottery Proceeds		-	680,000
Total State Assistance		\$ 34,594,602	\$ 11,905,034

MACON COUNTY, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Federal Expenditures	State Expenditures
---	------------------------------------	---------------------------------	-------------------------------

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.