

Compliance Letters

Year Ended June 30, 2009



*Stanly County
North Carolina*

***STANLY COUNTY
NORTH CAROLINA***

COMPLIANCE LETTERS

***For Fiscal Year Ended
June 30, 2009***



***Prepared and Issued by:
Stanly County Finance Department***

***Toby R. Hinson
Finance Director***

**STANLY COUNTY, NORTH CAROLINA
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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

To the Board of Commissioners
Stanly County, North Carolina

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 Stanly County, North Carolina, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 26, 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Stanly 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 Stanly 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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity'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 entity's internal control.

Our consideration of 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 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 Stanly County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 the board of commissioners, management, 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 26, 2009

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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

To the Board of Commissioners
Stanly County, North Carolina

Compliance

We have audited the compliance of Stanly 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. Stanly County's major federal programs are identified in the summary of auditor's 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 Stanly County's management. Our responsibility is to express an opinion on Stanly 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 Standard*, 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 Stanly 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 on Stanly County's compliance with those requirements.

In our opinion, Stanly 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 Stanly County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Stanly 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 an entity'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 entity'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 the County's 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Stanly County, North Carolina as of and for the year then ended June 30, 2009, which collectively comprise Stanly County's basic financial statements and have issued our report thereon dated October 26, 2009. Our audit was performed for the purpose of forming an opinion of the financial statements that collectively comprise Stanly 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 the Board of Commissioners, management, 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.

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October 26, 2009

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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

To the Board of Commissioners
Stanly County, North Carolina

Compliance

We have audited the compliance of Stanly 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. Stanly County's major State programs are identified in the summary of auditor's 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 Stanly County's management. Our responsibility is to express an opinion on Stanly 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 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 Stanly 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 on Stanly County's compliance with those requirements.

In our opinion, Stanly 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 Stanly County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered Stanly 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.

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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 the board of commissioners, management, 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 26, 2009

STANLY COUNTY, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified	No
• Significant deficiencies identified that are not considered to be material weaknesses	No
Non-compliance material to financial statements noted	No

Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified	No
• Significant deficiencies identified that are not considered to be material weaknesses	No
Non-compliance material to federal awards	No
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

Identification of major federal programs:

<u>Federal Program/Cluster Name</u>	<u>CFDA#</u>
Title XIX Medicaid Cluster	93.778
Food Stamp Cluster	10.551
	10.561

STANLY COUNTY, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

Section I - Summary of Auditor's Results (continued)

Dollar threshold used to distinguish between
Type A and Type B Programs \$1,992,355

Auditee qualified as low-risk auditee? No

State Awards

Internal control over major State programs:

- Material weakness(es) identified No

- Significant deficiencies identified that are not
considered to be material weaknesses No

Non-compliance material to State awards No

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
Subsidized Childcare Cluster
Public School Building Capital Fund

State/County Special Assistance for Adults was not audited as major because it was audited as major
in at least one of the last two most recent audit periods.

STANLY COUNTY, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

Section II - Financial Statements Findings

None reported

Section III - Federal Award Findings and Questioned Costs

None reported

Section IV - State Award Findings and Questioned Costs

None reported

STANLY COUNTY, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009

Not applicable

STANLY COUNTY, NORTH CAROLINA

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

<u>Grantor / Pass-through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>	
		<u>Federal</u>	<u>State</u>
Federal Awards:			
U.S. Department of Health and Human Services:			
Administration for Children and Families:			
Passed-through the N.C. Department of Health and Human Services			
Division of Social Services:			
Child Support Enforcement	93.563	\$ 393,124	\$ -
CSE Incentive Recovery (ARRA Funding)	93.563	28,313	-
Total Child Support Enforcement		<u>421,437</u>	<u>-</u>
Temporary Assistance for Needy Families:			
Administration	93.558	532,399	-
Direct Benefit Payment	93.558	390,329	-
Total Temporary Assistance for Needy Families		<u>922,728</u>	<u>-</u>
Foster Care and Adoption Cluster:			
Title IV-E Foster Care:			
Administration	93.658	301,397	34,889
Adoption Training	93.659	4,681	-
Direct Benefit Payments	93.658	138,655	22,868
Title IV-E Adoption Assistance Program:			
Direct Benefit Payments	93.659	200,604	38,948
Total Foster Care and Adoption Cluster		<u>645,337</u>	<u>96,705</u>
Low-Income Home Energy Assistance Block Grant:			
Administration	93.568	272,148	-
Direct Benefit Payments	93.568	366,779	-
Total Low-Income Home Energy Assistance Block Grant		<u>638,927</u>	<u>-</u>
LINKS	93.674	7,666	1,916
LINKS-Direct Benefit	93.674	8,953	-
Family Preservation	93.556	636	-
AFDC Payments and Penalties	93.560	(798)	(219)
Social Services Block Grant	93.667	204,359	18,174
Child Welfare Services-State Grants			
Adoption Subsidy - Direct Benefit Payments	93.645	-	121,852
Child Welfare Services-State Grants			
Permanency Planning	93.645	16,588	4,263
Sub total		<u>237,404</u>	<u>145,986</u>
Subsidized Childcare Cluster			
Child Care Development Fund Cluster:			
Division of Social Services			
CCDF-Administration	93.596	86,231	-
Division of Child Development			
CCDF-Discretionary	93.575	721,062	-
CCDF-Mandatory	93.596	286,233	-
CCDF-Match	93.596	645,018	354,893
Total Child Care Fund Cluster:		<u>1,738,544</u>	<u>354,893</u>

STANLY COUNTY, NORTH CAROLINA

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

Grantor / Pass-through Grantor / Program Title	CFDA Number	Expenditures	
		Federal	State
Social Services Block Grant	93.667	9,148	-
Temporary Assistance for Needy Families	93.558	266,866	-
Smart Start		-	45,963
TANF - MOE		-	112,464
State Appropriations		-	74,630
Total Subsidized Childcare Cluster		<u>2,014,558</u>	<u>587,950</u>
U.S. Department of Agriculture:			
Passed-through N.C. Department of Health & Human Services			
Division of Public Health:			
Special Supplemental Nutrition Program for Women Infant and Children (WIC)	10.557	232,563	-
WIC - Direct Benefit Payment	10.557	<u>1,274,557</u>	-
Total Division of Public Health		<u>1,507,120</u>	-
Health Care Financing Administration:			
Passed-through the N.C. Department of Health and Human Services			
Division of Medical Assistance:			
Direct Benefit Payments:			
Medical Assistance Program	93.778	48,145,484	18,146,500
Administration:			
Medical Assistance Program	93.778	572,660	17,753
Health Choice	93.767	<u>31,705</u>	<u>2,651</u>
Total Health Care Financing Administration		<u>48,749,849</u>	<u>18,166,904</u>
U.S. Department of Agriculture:			
Passed-through N.C. Department of Health & Human Services			
Food and Consumer Service:			
Division of Social Services:			
Food Stamp Cluster:			
Administration:			
Food Stamp Training	10.561	255,828	-
Food Stamp E&T and Depend Care	10.561	725	-
Food Stamp Fraud Administration	10.561	42,615	-
Direct Benefit Payments:			
Food Stamp Program	10.551	<u>9,158,102</u>	-
Total Food Stamp Cluster		<u>9,457,270</u>	-
U.S. Department of the Army			
Water Resources Development Act		<u>127,589</u>	-

STANLY COUNTY, NORTH CAROLINA

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

Grantor / Pass-through Grantor / Program Title	CFDA Number	Expenditures	
		Federal	State
U.S. Department of Health and Human Services:			
Passed-through N.C. Department of Health and Human Services			
Division of Public Health:			
Family Planning Services	93.217	48,067	-
Women's Preventive Health	93.558	3,898	-
Immunization Program/Aid to County Funding	93.268	20,601	-
Preparedness & Response Bioterrorism Grants	93.283	27,490	-
Risk Reduction/Health Promotion	93.991	13,957	-
HHS-MCH Services Block Grant to the States	93.994	129,706	-
Total Division of Public Health		243,719	-
Administration of Aging:			
Passed-through Centralina Council of Governments			
Division of Aging:			
Aging Cluster:			
Access Title III B	93.044	28,384	21,879
In-Home Services:			
Title IIIB	93.044	32,373	148,886
Title IIIC1	93.045	48,874	7,510
Title IIIC2	93.045	54,344	30,185
Caregiver	93.052	21,383	1,426
USDA Supplement	10.570	40,612	-
Total Division of Aging		225,970	209,886
Division of Social Services:			
Senior Center Outreach		-	653
Senior Center -General		-	13,090
DP/HP (90%)	93.043	4,409	260
Total Division of Social Services		4,409	14,003
U.S. Department of Transportation:			
Vision 100	20.930	222,329	-
Passed-through N.C. Department of Transportation:			
Public transportation for non-urbanized area	20.509	190,731	179,237
Total U.S. Department of Transportation		413,060	179,237
Institute of Museum and Library Services:			
LSTA Grant	45.310	53,275	-
U.S. Department of Housing and Urban Development:			
Passed-through N.C. Department of Commerce:			
Division of Community Assistance:			
CDBG (06-C-1539)	14.228	50,000	-
CDBG (06-C-1595)	14.228	544,972	-
CDBG (07-C-1697)	14.228	22,639	-
CDBG (07-C-1756)	14.228	12,521	-
Total U.S. Department of Housing and Urban Development		630,132	-

STANLY COUNTY, NORTH CAROLINA

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

<u>Grantor / Pass-through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>	
		<u>Federal</u>	<u>State</u>
U.S Department of Justice			
Passed through N.C. Department of Crime Control and Public Safety			
Division of Emergency Management:			
Emergency Management	97.042	32,817	-
Total Federal Awards		<u>\$ 66,325,601</u>	<u>\$ 19,400,671</u>
State Awards:			
N.C. Department of Health and Human Services:			
Division of Social Services:			
State/County Special Assistance for Adults-Direct Benefit Payment			555,232
State Aid to Counties			29,937
AFDC Incentive/Program Integrity			111
TANF Incentive/Program Integrity			678
Foster Care At-Risk			2,032
Foster Care Special Provision			43,592
SFHF Maximization			25,778
State Foster Home			16,631
Total Division of Social Services			<u>673,991</u>
Division of Public Health:			
Women's Preventive Health			6,585
Communicable Diseases Control			2,732
AIDS-State			500
General			114,051
Minority Health			17,690
Smart Start			51,100
Tuberculosis			2,871
TB Medical Services			1,034
Preparedness and Response			33,520
Risk Reduction / Health Promotion			6,453
Breast and Cervical Cancer Control			11,220
Healthy Carolinas Partnership Support			5,727
Total Division of Public Health			<u>253,483</u>
Total N.C. Department of Health and Human Services			<u>927,474</u>
N.C. Dept. of Public Instruction			
Public School Building Capital Fund			
ADM Funding			290,402
Lottery Proceeds			1,750,000
Total N.C. Department of Public Instruction			<u>2,040,402</u>

STANLY COUNTY, NORTH CAROLINA

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

<u>Grantor / Pass-through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>	
		<u>Federal</u>	<u>State</u>
N.C. Department of Transportation:			
ROAP Elderly and Disabled Transportation Assistance Program			83,056
ROAP Work-First			15,887
ROAP Rural General Public Program			88,200
WBS 39269.16			88,644
Total N.C. Department of Transportation			<u>275,787</u>
N.C. Department of Cultural Resources:			
Direct Programs			
Aid to Public Libraries			<u>120,334</u>
NC Rural Center			
Rural Center Grant			<u>100,000</u>
Total State Awards			<u>22,864,668</u>
Total Federal and State Awards		<u>\$ 66,325,601</u>	<u>\$ 22,864,668</u>

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 Stanly 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, Non-Profit Organizations, and the State Single 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.

The following are clustered by the NC Department of Health and Human Services and are treated separately for state audit requirements: Subsidized Child Care, and Foster Care and Adoption

2. Subrecipients

Of the Federal and State expenditures presented in the schedule, Stanly County provided Federal and State awards to subrecipients as follows:

<u>Subrecipient/Program Name</u>	<u>CFDA</u>	<u>Federal</u>	<u>State</u>
Public School Building Capital Fund	N/A	\$ -	\$ 1,591,839
Total		\$ -	\$ 1,591,839