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## Martin Starnes & Associates, CPAs, P.A.

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*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  
Lincoln County, North Carolina

We have audited the accompanying 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 Lincoln County, North Carolina, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 13, 2006. We did not audit the financial statements of the Lincoln County ABC Board. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lincoln County ABC Board is based solely on the reports of the other auditors. We conducted our audit in accordance with generally accepted auditing standards 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 Lincoln County ABC Board were not audited in accordance with Government Auditing Standards.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Lincoln County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lincoln County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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.

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 13, 2006





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## Martin Starnes & Associates, CPAs, P.A.

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*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**

To the Board of Commissioners  
Lincoln County, North Carolina

#### **Compliance**

We have audited the compliance of Lincoln 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, 2006. Lincoln County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings 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 Lincoln County's management. Our responsibility is to express an opinion on Lincoln 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 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 Lincoln 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 Lincoln County's compliance with those requirements.

In our opinion, Lincoln 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, 2006.

## Internal Control Over Compliance

The management of Lincoln 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 Lincoln 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board of commissioners, management, and federal 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 13, 2006





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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  
Lincoln County, North Carolina

#### **Compliance**

We have audited the compliance of Lincoln 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, 2006. Lincoln County's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings 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 Lincoln County's management. Our responsibility is to express an opinion on Lincoln 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 noncompliance 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 Lincoln 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 Lincoln County's compliance with those requirements.

In our opinion, Lincoln 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, 2006.

## Internal Control Over Compliance

The management of Lincoln 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 Lincoln 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board of commissioners, management, 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.

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October 13, 2006



## LINCOLN COUNTY, NORTH CAROLINA

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2006

#### 1. Summary of Auditors' Results

- A. An unqualified opinion was issued on the financial statements of Lincoln County, North Carolina.
- B. Our audit of the basic financial statements disclosed no reportable conditions in internal control.
- C. Our audit of the basic financial statements disclosed no reportable conditions in compliance over federal and State awards.
- D. An unqualified opinion was issued on Lincoln County's compliance with the types of compliance requirements applicable to its major federal programs.
- E. An unqualified opinion was issued on Lincoln County's compliance with the types of compliance requirements applicable to its major State programs.
- F. Major federal programs for Lincoln County for the year ended June 30, 2006 are:
- |   |                                |
|---|--------------------------------|
| Food Stamp Cluster                      | 10.561                         |
| Temporary Assistance for Needy Families | 93.558                         |
| Medicaid Cluster                        | 93.778                         |
| Subsidized Child Care Cluster           | 93.667, 93.596, 93.575, 93.558 |
- G. Major State programs for Lincoln County for the year ended June 30, 2006 are:
- |   |
|---|
| Medicaid Cluster (State Portion)              |
| SC/SA Domiciliary Care Payments               |
| Subsidized Child Care Cluster (State Portion) |
| Public School Building Capital Fund           |
- H. The threshold for determining Type A programs for Lincoln County is \$1,516,759.
- I. Lincoln County did not qualify as a low risk auditee under Section .530 of Circular No. A-133.

**LINCOLN COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**2. Findings Related to the Audit of the Basic Financial Statements**

- A. The audit did not detect any findings related to compliance that are required to be reported in accordance with Government Auditing Standards.
- B. The audit did not detect any findings related to internal control over financial reporting that are required to be reported in accordance with Government Auditing Standards.

**3. Findings and Questioned Costs Related to the Audit of Federal Awards**

None

**4. Findings and Questioned Costs Related to the Audit of State Awards**

None



**LINCOLN COUNTY, NORTH CAROLINA**

**CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2006**

N/A-Not applicable

**LINCOLN COUNTY, NORTH CAROLINA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

None.



**LINCOLN COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2006**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<b>Federal Awards:</b>					
<u>U.S. Dept. of Agriculture</u>					
<u>Food and Nutrition Service</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
Administration:					
<u>Food Stamp Cluster:</u>					
Food Stamp Program - Noncash	10.551		\$ 6,192,292	\$ -	\$ -
State Administrative Matching Grants for					
Food Stamp Admin	10.561		288,498	-	288,498
Food Stamp E&T & Depend Care	10.561		1,545	-	1,545
Food Stamp EBT	10.561		429	-	429
Food Stamp Fraud Admin	10.561		15,905	-	15,905
Total Food Stamp Cluster			6,498,669	-	306,377
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health:					
Administration:					
Special Supplemental Nutrition Program for					
Women, Infants, & Children	10.557		195,970	-	-
Direct Benefit Payments:					
Special Supplemental Nutrition Program for					
Women, Infants, & Children	10.557		860,198	-	-
Passed-through Centralina Council of Governments					
USDA Supplement	10.570		4,986	-	-
Total U.S. Department of Agriculture			7,559,823	-	306,377
<u>U.S. Dept. of Housing &amp; Urban Development</u>					
Passed-through N.C. Division of Community Assistance					
CDBG Small Cities Program (Scattered-Site Housing)	14.219		133,198	-	-
Total U.S. Dept. of Housing & Urban Development			133,198	-	-
<u>U.S. Dept. of Justice</u>					
<u>Bureau of Justice Assistance</u>					
Federal Forfeited Property					
Passed-through N.C. Dept. of Crime Control and			4,905	-	-
Public Safety:					
State Criminal Alien Assistance Program (SCAA)	16.606		2,664	-	-
Technology Initiative	16.710		48,948	-	-
Total U.S. Dept. of Justice			56,517	-	-
<u>U.S. Election Assistance Commission</u>					
Passed-through N.C. Board of Elections					
Voting Equipment (HAVA), Title II	90.401		430,197	-	-
Total U.S. Election Commission			430,197	-	-
<u>U.S. Dept. of Transportation</u>					
National Highway Traffic Safety Administration					
Passed-through the N.C. Department of Transportation					
Safety Program	20.605	39568.3.17	24,257	-	-
Federal Highway Administration					
Passed-through the N.C. Department of Envir. & Nat. Resources					
SAFETEA-LU Trail Grant	20.219		23,212	-	-
Total U.S. Dept. of Transportation			47,469	-	-

**LINCOLN COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2006**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<u>U. S. Department of Homeland Security</u>					
Passed-through N.C. Dept. of Crime Control and Public Safety:					
Division of Emergency Management					
State Domestic Preparedness Equipment Support Program					
Homeland Security Grant	97.004	2004-GE-T4-2005	97,319	-	-
Homeland Security Grant	97.004	EMPG-2005-37109	20,591	-	-
Passed-through United Way					
Department of Social Services					
Emergency Food and Shelter	97.024		40,998	-	-
Total U. S. Department of Homeland Security			158,908	-	-
<u>U.S. Dept. of Health &amp; Human Services</u>					
<u>Administration on Aging</u>					
<u>Division of Social Services</u>					
Passed-through Centralina Council Governments					
<u>Aging Cluster</u>					
Special Programs for the Aging - Title III B					
Disease Prevention and Health Promotion Services	93.043		5,160	304	-
Supportive Services and Senior Center					
Access	93.044		34,079	59,628	-
In-Home	93.044		60,935	159,421	-
Nutrition Services	93.045		48,165	21,630	-
National Family Caregiver Support	93.052		23,071	1,166	-
Total Aging Cluster			171,410	242,149	-
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
<u>Foster Care and Adoption Cluster</u>					
IV-E Admin/Adoption TRN Parent	93.658		907	-	302
IV-E Child Protective Services	93.658		172,013	70,120	101,893
IV-E Optional	93.659		74,331		74,331
IV-E Waiver	93.658		9,878	4,939	4,939
IV-E Foster Care	93.658		51,213	14,702	14,702
IV-E Foster Care In Excess	93.658		24,028	-	13,796
IV-E Waiver Foster Care	93.658		25,501	7,325	7,325
IV-E Foster Care TRN	93.658		146	-	49
IV-E Foster Care/Off TRN	93.658		14,861	-	14,861
IV-E Adoption Subsidy & Vendor	93.659		176,948	50,853	50,853
Total Foster Care and Adoption Cluster			549,826	147,939	283,051
Work First Administration	93.558		110,176	27,979	73,652
Work First Service	93.558		568,426	153,374	403,741
TANF Domestic Violence	93.558		7,572	-	-
TANF TEA Foster Care Max	93.558		27,242	-	-
TANF TEA Foster Care	93.558		61,579	-	-
TANF Payments & Penalties	93.558		456,956	(293)	-
TANF UP	93.558		7,851	-	-
AFDC Payments & Penalties	93.560		(362)	(99)	(99)
N. C. Child Support Enforcement Section	93.563		490,097	-	251,866
Low-Income Home Energy Assistance Block Grant:					
Administration	93.568		9,796	-	-
Energy Assistance Payments- Direct Benefit Payments	93.568		87,930	-	-
Crisis Intervention Payments	93.568		43,346	9,941	-
Permanency Planning - Regular	93.645		16,762	5,587	-
Permanency Planning - Special	93.645		4,726	-	1,575



LINCOLN COUNTY, NORTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
For the Year Ended June 30, 2006

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
SSBG - Other Service and Training	93.667		153,996	15,701	56,566
Independent Living Grant	93.674		12,782	3,195	-
Adoption/Foster Care	93.658		71,191	-	-
County Funded Programs			-	-	35,587
Child Protective Services Expansion State			-	97,549	-
DCD Smart Start			-	58,870	-
Energy Assistance Private Grants			-	4,595	-
State County Special Assistance			-	-	31,845
State Adult Protective Service			-	54,345	-
Childcare Development Fund-Administration	93.596		82,929	-	-
IV-D Offset Fees-ESC	93.563		358	-	184
IV-D Offset Fees-Federal	93.563		1,583	-	815
AFDC Incent/Program Integrity			-	50	-
CWS Adopt Subsidy & Vendor			-	151,973	49,098
F/C At Risk Maximization			-	12,376	7,102
SC/SA Domiciliary Care Payment			-	510,538	510,538
State Foster Home			-	11,668	11,668
Foster Care at Risk			-	4,571	1,019
Total Division of Social Services			2,764,762	1,269,859	1,718,208
Division of Aging:					
Division of Social Services:					
SSBG - State In Home Service Fund	93.667		8,290	-	1,184
Subsidized Child Care Cluster:					
<u>Child Care Development Fund Cluster</u>					
Division of Social Services					
Child Care Development Fund-Administration	93.596		83,821	-	-
Division of Child Development:					
Child Care and Development Fund -- Discretionary	93.575		564,113	-	-
Child Care and Development Fund -- Mandatory	93.596		272,498	-	-
Child Care and Development Fund -- Match	93.596		298,313	164,063	-
Total Child Care Fund Cluster			1,218,745	164,063	-
Social Services Block Grant	93.667		9,029	-	-
Temporary Assistance for Needy Families (TANF)	93.558		180,595	-	-
Smart Start			-	91,795	-
State Appropriations			-	107,963	-
TANF-MOE			-	245,819	-
Total Subsidized Child Care Cluster			1,408,369	609,640	-
<u>Health Care Financing Administration</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Medical Assistance:					
Administration:					
North Carolina Health Choice	93.767		21,663	2,614	4,814
Adult Care Home Case Management	93.778		56,132	26,849	29,282
Medical Assistance Admin	93.778		455,147	-	455,147
Medical Transportation Admin	93.778		25,866	-	25,866
Medical Transportation Service	93.778		13,337	6,508	1,149
Medical Assistance Expansion	93.778		11,121	11,121	-
Direct Benefit Payments:					
Medical Assistance Program	93.778		36,918,522	18,693,608	3,133,935

LINCOLN COUNTY, NORTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
For the Year Ended June 30, 2006

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<u>Centers for Disease Control</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health:					
Statewide Health Promotion Program	93.991		16,629	-	-
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919		12,100	-	-
<u>Health Resources and Services Administration</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health:					
Family Planning Services	93.217		19,491	-	-
Maternal and Child Health Services Block Grant	93.994		173,033	-	-
Immunization Program/Aid to County Funding	93.268		20,145	-	-
Bioterrorism Grant	93.283		18,878	-	-
CDC Prevention Investigations and Tech Assistance	93.283		38,485	-	-
Central Administration / Office of Research, Demonstration, and Rural Development:					
Temporary Assistance for Needy Families	93.558		6,312	-	-
Division of Facility Services					
Bioterrorism Hospital Preparedness	93.889		12,841	-	-
Total U.S. Dept. of Health and Human Services			42,172,533	20,862,348	5,369,585
Total federal awards			50,558,645	20,862,348	5,675,962
<b>State Awards:</b>					
<u>N.C. Department of Environment and Natural Resources</u>					
Division of Soil & Water					
AG Cost Share Funds			-	22,716	-
Administrative Match Funds			-	4,000	-
Division of Waste Management					
White Goods Management Program			-	80,702	-
Scrap Tire Program			-	77,789	-
Total N.C. Dept. of Environmental and Natural Resources			-	185,207	-
<u>N.C. Dept. of Health and Human Services</u>					
Division of Social Services					
Administrative:					
State Aid to Counties			-	28,492	-
TANF Incent/Program Integrity			-	729	-
Administration on Aging					
Division of Social Services					
Passed through Centralina Council of Governments					
Senior Center Outreach			-	653	-
Senior Center General Purpose			-	5,454	-
Total N.C. Dept. of Health and Human Services			-	35,328	-
Division of Public Health					
General			-	68,878	-
AIDS			-	500	-
Communicable Disease			-	12,488	-

LINCOLN COUNTY, NORTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
For the Year Ended June 30, 2006

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Risk Reduction/Health Promotion			-	4,386	-
Tuberculosis			-	1,825	-
Women's Preventable Health			-	2,500	-
Child Care Coordination			-	24,883	-
TB Medical Services			-	787	-
Total Division of Public Health			-	116,247	-
Total N. C. Department of Health and Human Services			-	151,575	-
<u>Dept. of Juvenile Justice and Delinquency Prevention</u>					
Juvenile Crime Prevention Programs					
Administration			-	14,526	-
Strengthening Families			-	22,500	-
Social Work Services			-	77,887	-
Equine Assisted Learning			-	42,779	-
Mediation			-	10,125	-
Total N.C. Department of Juvenile Justice			-	167,817	-
<u>N.C. Dept. of Public Instruction</u>					
Public School Building Capital Fund			-	886,900	-
Total N.C. Department of Public Instruction			-	886,900	-
<u>N.C. Dept. of Transportation</u>					
Work First		DOT-16CL	-	7,537	-
Elderly and Disabled Transportation Assistance					
Program (E&DTAP)		DOT-16CL	-	51,632	-
Total N.C. Dept. of Transportation			-	59,169	-
<u>N.C. Dept. of Administration</u>					
Veterans Services			-	2,000	-
Total State awards				1,452,668	
Total federal and State awards			\$ 50,558,645	\$ 22,315,016	\$ 5,675,962

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of Lincoln 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:  
Subsidized Child Care, and Foster Care and Adoption.



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