

**Cleveland County, North Carolina  
Annual Financial and Compliance Report  
For the Year Ended June 30, 2007**

**IV: REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

	<u>Identifier</u>	<u>Page No.</u>
A. Reports from the Independent Auditor	Subsection IV.A.	173
B. Schedule of Results, Findings, and Questioned Costs	Subsection IV.B.	181
C. Corrective Action Plan	Subsection IV.C.	183
D. Schedule of Prior Year Audit Findings and Corrective Action Plan	Subsection IV.D.	183
E. Schedule of Expenditures of Federal and State Awards	Subsection IV.E.	184
1. Notes to Schedule of Expenditures of Federal and State Awards	Exhibit IV.E.1	190

This section contains schedules and auditor reports required by U.S. OMB (Office of Management and Budget) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act of North Carolina. The required schedules reflect federal, state, and local participation in various projects and programs of the County for which the federal and/or state government contributed.

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**Cleveland County, North Carolina  
Annual Financial and Compliance Report  
For the Year Ended June 30, 2007**

**IV: REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

**A. Reports from the Independent Auditor**

	<u>Identifier</u>	<u>Page No.</u>
1. Report from the Independent Auditor 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	Exhibit IV.A.1	175
2. Report from the Independent Auditor on Compliance with Requirements Applicable to Each Major Federal Program and On Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act	Exhibit IV.A.2	177
3. Report from the Independent Auditor on Compliance with Requirements Applicable to Each Major State Program and On Internal Control Over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and with the State Single Audit Implementation Act	Exhibit IV.A.3	179

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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  
Cleveland County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cleveland County, North Carolina, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 5, 2007. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Cleveland County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cleveland 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 preceding 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 Cleveland 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 5, 2007



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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  
Cleveland County, North Carolina

**Compliance**

We have audited the compliance of Cleveland 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, 2007. Cleveland 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 Cleveland County's management. Our responsibility is to express an opinion on Cleveland 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 Cleveland 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 Cleveland County's compliance with those requirements.

In our opinion, Cleveland 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, 2007.

## Internal Control Over Compliance

The management of Cleveland 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 Cleveland 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 noncompliance with a type of compliance requirement of a federal program that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance 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 noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity'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 weakness. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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 5, 2007





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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 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  
Cleveland County, North Carolina

**Compliance**

We have audited the compliance of Cleveland 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, 2007. Cleveland 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 Cleveland County's management. Our responsibility is to express an opinion on Cleveland 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 Cleveland 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 Cleveland County's compliance with those requirements.

In our opinion, Cleveland 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, 2007.

## Internal Control Over Compliance

The management of Cleveland 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 Cleveland 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 noncompliance 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 entity's ability to administer a State program such that there is more than a remote likelihood that noncompliance 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 noncompliance with a type of compliance requirement of a State program will not be prevented or detected by the entity'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 weakness. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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.

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

Martin Starnes & Associates, CPAs, P.A.  
October 5, 2007

CLEVELAND COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007

1. Summary of Auditors' Results

- A. An unqualified opinion was issued on the financial statements of Cleveland County, North Carolina.
- B. Our audit of the basic financial statements disclosed no significant deficiencies or material weaknesses in internal controls.
- C. Our audit of the basic financial statements disclosed no instances of noncompliance with laws, regulations and the provisions of contracts and grant agreements that are material to the basic financial statements.
- D. Our audit of compliance with the types of compliance requirements applicable to the County's major programs disclosed no significant deficiencies or material weaknesses in internal controls over major programs.
- E. An unqualified opinion was issued on Cleveland County, North Carolina's compliance with the types of compliance requirements applicable to its major federal programs.
- F. An unqualified opinion was issued on Cleveland County, North Carolina's compliance with the types of compliance requirements applicable to its major State programs.
- G. Our audit disclosed no audit findings which related to federal and State awards.
- H. Major federal programs for the Cleveland County, North Carolina for the fiscal year ended June 30, 2007 are:

<b>Program Name</b>	<b>CFDA#</b>
Medical Assistance	93.778
Temporary Assistance For Needy Families	93.558
Subsidized Childcare Cluster	93.558, 93.575, 93.596, 93.667
Food Stamp Cluster:	
Food Stamp Program	10.551
State Administrative Matching Grants for Food Stamps	10.561
Special Supplemental Nutrition Program For Women, Infants and Children	10.557
IV-E Foster Care and Adoption Cluster	93.658/93.659

**CLEVELAND COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

- I. Major State programs for Cleveland County, North Carolina for the fiscal year ended June 30, 2007 are:

<b>Program Name</b>	<b>CFDA#</b>
Medical Assistance	93.778
Subsidized Childcare Cluster	93.558, 93.575, 93.596, 93.667
IV-E Foster Care and Adoption Cluster	93.658/93.659
Public School Building Capital Fund	N/A
State/County Special Assistance	N/A

- J. The threshold for determining Type A programs for Cleveland County, North Carolina is \$3,000,000.
- K. Cleveland County, North Carolina did not qualify as a low risk auditee under Section .530 of Circular No. A-133.

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

None

**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

**CLEVELAND COUNTY, NORTH CAROLINA**

**SUMMARY SCHEDULE OF PRIOR YEAR  
FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007**

None.

Cleveland County, North Carolina  
Annual Financial and Compliance Report  
For the Year Ended June 30, 2007

IV: REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS  
E. Schedule of Expenditures of Federal and State Awards

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
<b>Federal Awards:</b>					
<b>U.S. Dept. of Agriculture</b>					
<u>Passed-through N.C. Dept. of Agriculture:</u>					
Food Donation (Commodities Distribution)	10.550	-	\$ 19,708	\$ -	\$ -
<u>Division of Public Health</u>					
Special Supplemental Nutrition Program for Women, Infants, and Children - direct benefit payments	10.557	-	1,697,173	-	-
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	5403, -4, -5, -9	392,071	-	-
<u>Division of Social Services:</u>					
<u>Food Stamp Cluster:</u>					
Food Stamps - direct benefit payments	10.551	-	16,112,281	-	-
Food Stamps Claims Collect	10.551	454	(12,160)	-	-
Food Stamps Incentive Retention	10.551	455	11,972	-	-
Food Stamps Administration	10.561	404, 417	667,567	-	667,567
Food Stamps Employment & Training	10.561	458	8,063	-	8,063
Food Stamps Fraud	10.561	405	20,133	-	20,133
<u>Total Food Stamp Cluster</u>			<u>16,807,855</u>	<u>-</u>	<u>695,762</u>
<u>Total U.S. Dept. of Agriculture</u>			<u>18,916,807</u>	<u>-</u>	<u>695,762</u>
<b>U.S. Dept. of Health &amp; Human Services</b>					
<u>Passed-through the N.C. Dept. of Health and Human Services:</u>					
<u>Divisions of Aging (thru Isothermal Planning and Development) and Social Services</u>					
<u>Aging Cluster:</u>					
III-B Grants for Supportive Services and Senior Centers - In Home Services	93.044	-	125,446	7,379	-
Social Services Block Grant - In Home Services	93.667	022	14,640	-	1,858
<u>Total Aging Cluster</u>			<u>140,086</u>	<u>7,379</u>	<u>1,858</u>
<u>Division of Child Development:</u>					
<u>Subsidized Child Care Cluster:</u>					
Temporary Assistance for Needy Families - Child Care	93.558	T223	580,442	-	-
Child Care and Development Fund – Discretionary	93.575	D*23, TB23	1,591,578	-	-
Child Care and Development Fund – Admin.	93.596	364	201,872	-	-
Child Care and Development Fund – Mandatory	93.596	M*23	633,162	-	-
Child Care and Development Fund – Match	93.596	V*23	777,339	430,902	-
Social Services Block Grant - Child Care	93.667	Q423, 467	17,898	-	156,537
Smart Start	-	4023, 347, 438	-	24,331	128
State & Local Appropriations	-	0023	-	119,776	-
TANF-MOE	-	T623	-	713,947	-
<u>Total Subsidized Child Care Cluster:</u>			<u>3,802,291</u>	<u>1,288,956</u>	<u>156,665</u>
<u>Division of Facility Services, Office of EMS</u>					
HRSA Bioterrorism Grant 2007	93.996	-	8,804	-	-
<u>Passed-through the Univ. of NC-Chapel Hill:</u>					
Quality Enhancement Project - Infants	93.994	-	50,718	-	-

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<b>Federal Awards: (continued from previous page)</b>					
<u>Division of Medical Assistance:</u>					
<u>Medicaid Assistance Cluster:</u>					
Medicaid Assistance Program - direct benefit payments	93.778	-	\$ 83,195,902	\$ 41,703,386	\$ 7,171,181
Adult Care Home CM	93.778	211	20,398	10,199	10,199
At-Risk CM	93.778	286	15,592	-	38,695
At-Risk CM Settlement	93.778	-	7,845	-	-
Medical Assistance Administration	93.778	412	975,825	-	975,825
Medical Assistance Expansion	93.778	477	21,302	21,302	-
Medical Transportation Administration	93.778	375	45,554	-	45,554
Medical Transportation Services	93.778	377	458,355	248,456	7,555
Special Adult Home	93.778	128	37,412	29,929	7,482
<u>Total Medicaid Assistance Cluster:</u>			84,778,185	42,013,272	8,256,491
<u>Division of Public Health</u>					
Family Planning	93.217	592C	39,645	-	-
Immunization Program/ Aid to County Funding	93.268	6025, 631D	50,946	-	-
Bioterrorism Grant	93.283	2681	159,746	-	-
TANF - Public Health	93.558	5151	14,132	-	-
Ryan White / HIV Care Formula Grant	93.917	5596	102,277	-	-
Breast and Cervical Cancer Early Detection	93.919	310D, 360C	16,130	-	-
HIV Prevention Activities	93.940	433B	35,327	-	-
Preventive Health and Health Services Block Grant - Statewide Health Promotion Program	93.991	5503	34,750	15,536	-
Maternal and Child Health Services Block Grant	93.994	57XX, 601X, 53XX	214,310	253,367	-
<u>Division of Social Services:</u>					
<u>Foster Care and Adoption Assistance Cluster:</u>					
TEA	93.558	-	7,520	-	-
TEA Max	93.558	-	700	-	-
IV-E Admin	93.658	-	247	-	247
IV-E Child Protective Services	93.658	072	230,217	115,108	115,108
IV-E Child Protective Services CO	93.658	074	66,956	-	66,955
IV-E Foster Care, Optional Fund	93.658	132, 302, 407	267,610	-	267,610
IV-E Foster Care	93.658	-	249,862	69,144	69,144
IV-E Max	93.658	-	75,324	-	41,690
IV-E Waiver	93.658	413	41,607	11,650	20,959
IV-E Waiver Eligible/Non-eligible	93.658	076-077	33,005	16,503	16,503
IV-E, IV-B, and State Vendor	93.658	-	4,920	24,622	-
IV-E Adoption Subsidy - direct benefit payments	93.659	-	313,803	88,238	88,238
Social Services Block Grant - Adoption and Daycare	93.667	-	-	66,175	-
Child Welfare Services Adoption Subsidy - direct benefit payments	-	-	-	316,024	90,570
Foster Care At-Risk	-	-	-	181	39
Foster Care At-Risk Max	-	-	-	32,939	18,301
State Foster Home	-	-	-	84,386	84,385
<u>Total Foster Care and Adoption Assistance Cluster:</u>			1,291,771	824,970	879,749

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**Federal Awards: (continued from previous page)**

TANF Payments and Penalties - direct benefit payments	93.558	-	\$ 1,510,120	\$ (170)	\$ 607
TANF Unemployed Parents - direct benefit payments (reimbursements)	93.558	-	(283)	(9)	-
TANF Administration	93.558	226	167,979	-	-

Cleveland County, North Carolina  
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TANF / Child Services	93.558	205, 206, 207, 371	(2,345)	-	39
TANF / Domestic Violence Services	93.558	278	24,095	-	-
TANF / Emergency Assistance Cash	93.558	227	(240)	-	-
TANF CPS & FC / Adoption Admin	93.558	341	15,693	-	-
TANF CPS & FC / Adoption Services	93.558	358	157,214	-	-
TANF Services	93.558	238	1,716,982	-	-
Work First Demo	93.558	138-142	21,842	-	-
Work First	93.558	221, 232-235, 340	-	-	299,800
Work First Administration	93.558	048	-	-	127,673
Work First / Child Care	93.558	225	-	-	3,309
Work First Services	93.558	049	-	-	986,567
Work First Demo Salary	-	300	-	-	3,171
TANF / SSBG	-	471	-	-	242
TANF Incentives	-	268	-	4,454	-
AFDC Payments and Penalties - direct benefit payments (reimbursements)	93.560	-	(1,357)	(372)	(372)
AFDC Unemployed Parents - direct benefit payments (reimbursements)	93.560	-	(30)	(8)	(8)
<b>Child Support Enforcement Funds:</b>					
AFDC Share / Return	93.563	-	98,238	-	-
Incentive Regular	93.563	-	205,591	-	-
Intercept Fees / Federal Offset	93.563	-	2,768	-	-
IV-E Share / Return	93.563	-	-	5,217	-
SFHF Share / Return	93.563	-	-	21,785	-
<b>Total Child Support Enforcement Funds:</b>			<b>306,597</b>	<b>27,002</b>	<b>-</b>
IV-D Offset Fees Federal - direct benefit payments	93.563	-	931	-	480
IV-D Offset Fees ESC - direct benefit payments	93.563	-	4,563	(65)	2,415
AFDC Withhold	93.563	-	(1,303)	-	-
IV-D AFDC / Non-AFDC	93.563	430	1,052,966	-	542,437
IV-D Blood Test	93.563	432	(23)	-	-
IV-D Cooperative Agreement	93.563	449, 450	19,306	-	9,946
IV-D Cost Recovery	93.563	436	(1,817)	-	(936)
IV-D Government Service Contract	93.563	423	369	-	190
IV-D Non-AFDC	93.563	435	(1,195)	-	(615)
IV-D Offset Fees Federal - non-direct benefits	93.563	443	(2,370)	-	-
IV-D Offset Fees ESC - non-direct benefits	93.563	437	(485)	-	-
AFDC Incentives / Program Integrity	-	267	-	196	-
Crisis Intervention Planning Services	93.568	372, 053	327,476	-	-
Energy Assistance - direct benefit payments	93.568	-	521,988	-	-
Energy Assistance Services	93.568	406	40,724	-	-
Energy Assistance - Non Refundable	-	442	-	-	21,514
Permanency Planning - Regular	93.645	392	24,957	8,319	-
Permanency Planning - Special	93.645	368, 464,465	6,918	-	5,038

continued on next page

**Federal Awards: (continued from previous page)**

Social Services Block Grant	93.667	394, 395	\$ 303,081	\$ -	\$ 101,260
SSBG Special ADC	93.667	036, 038	11,485	9,663	3,021
SSBG State Services Support	93.667	482	-	43,550	14,516
Social Services Block Grant - TANF	93.667	050	56,561	-	18,854
LINKS	93.674	290, 291	36,317	9,079	-
Independent Living LINKS - direct benefit payment	93.674	-	1,795	3,331	-



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IV: REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS  
E. Schedule of Expenditures of Federal and State Awards

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
LINKS Transitional Funds - direct benefit payments	93.674	-	104	-	-
TOP Incentives	93.674	270	6,092	-	-
DOR Incentives	93.674	269	1,070	-	-
N. C. Health Choice	93.767	440, 441	12,121	4,106	-
N. C. Health Choice Co	93.767	483	36,282	-	11,991
<b>Total U.S. Dept. of Health and Human Services</b>			<b>97,113,296</b>	<b>44,512,555</b>	<b>11,445,902</b>
<b><u>U.S. Dept. of Homeland Security</u></b>					
<b><u>Passed-through N.C. Dept of Crime Control and Public Safety</u></b>					
Planning Grant	97.004	-	27,000	-	-
Citizens Corps	97.004	-	8,573	-	-
Formula Grant - Equipment Haz Mat	97.004	-	7,367	-	-
<b>Total U.S. Dept. of Homeland Security</b>			<b>42,939</b>	<b>-</b>	<b>-</b>
<b><u>U.S. Dept. of Housing and Urban Development</u></b>					
<b><u>Passed-through N.C. Dept of Commerce, thru Isothermal Planning and Development</u></b>					
Community Development Block Grant	14.228	04-C-1288	186,027	-	-
<b><u>U.S. Dept. of Justice</u></b>					
<b><u>Direct Program:</u></b>					
State Criminal Alien Assistance Program	16.606	2006-AP-BX-0338	7,553	-	-
Bulletproof Vests	16.607	-	5,035	-	5,035
JAG Grant	16.738	-	9,721	-	-
<b>Total U.S. Dept. of Justice</b>			<b>22,309</b>	<b>-</b>	<b>5,035</b>
<b><u>U.S. Dept. of the Treasury</u></b>					
<b><u>Direct program:</u></b>					
U.S. Immigration and Customs Enforcement	16.000	NC0230000	252,206	-	54,930
<b>Total U.S. Dept. of the Treasury</b>			<b>252,206</b>	<b>-</b>	<b>54,930</b>
<b><u>U.S. Election Assistance Commission</u></b>					
<b><u>Passed-through State Board of Election</u></b>					
HAVA Grant - Voting System	90.401	-	-	-	2,796
<b><u>U.S. Federal Emergency Management Agency</u></b>					
<b><u>Passed through NC Dept. of Crime Control and Public Safety:</u></b>					
Emergency Management Program	83.552	EMPG-2005-37045	18,928	-	-
<b>Total Federal Awards</b>			<b>116,552,512</b>	<b>44,512,555</b>	<b>12,204,425</b>

continued on next page

Cleveland County, North Carolina  
Annual Financial and Compliance Report  
For the Year Ended June 30, 2007  
**IV: REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**  
**E. Schedule of Expenditures of Federal and State Awards**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
<b>State Awards:</b>					
<u>N.C. Dept. of Administration</u>					
Gates, Staying Connected		-	\$ -	\$ 4,194	\$ -
Veteran Services		-	-	2,000	48,881
<b>Total N.C. Office of State Budget:</b>			-	6,194	48,881
<u>N.C. Dept. of Corrections</u>					
Criminal Justice Partnership Program		-	-	95,891	-
<u>N.C. Dept. of Cultural Resources</u>					
Library State Aid Grant		-	-	167,020	630,381
<u>N.C. Dept. of Environment and Natural Resources:</u>					
Environmental Health		4751	-	6,000	-
Food and Lodging		4752	-	14,303	-
Summer Food		4753	-	1,250	-
Child Lead Poisoning		4760	-	1,600	-
Funds for Soil and Water Conservation District		-	-	26,131	66,058
Scrap Tire Disposal		-	-	18,385	51,680
White Goods Management		-	-	53,755	90,723
<b>Total N.C. Dept. of Environment and Natural Resources:</b>			-	121,423	208,461
<u>N.C. Dept. of Health and Human Services</u>					
<u>Division of Child Development:</u>					
Smart Start Day Care		398	-	118,091	-
<u>Division of Public Health</u>					
General		4110	-	180,260	-
Public Health Nurse Training		3001	-	2,200	-
Communicable Disease		4510	-	10,930	-
Tuberculosis		4551	-	25,115	-
Women's Preventive Health		4106	-	11,354	-
TB Medical Service		4554	-	1,529	-
Carolina Access II Emergency Project		-	-	15,250	-
<u>Division of Social Services:</u>					
Blind Aid		-	-	107	-
State Adult Protective Services		098, 099	-	93,695	26,758
State Appropriation		-	-	81,102	-
State-County / Special Assistance Domiciliary Care - direct benefit payments		-	-	1,425,266	1,425,266
Special Assistance Administration		414	-	-	78,622
<u>Office of Emergency Medical Services</u>					
HRSA Project 2		-	-	6,170	-
HRSA Project 4		-	-	13,366	-
Pandemic Flu SMAT		-	-	13,709	-
<u>Passed through the Cleveland County Partnership for Children:</u>					
Smart Start Services		-	-	150,091	-
<b>Total N. C. Dept. of Health and Human Services</b>			-	2,148,235	1,530,647

continued on next page

Cleveland County, North Carolina  
Annual Financial and Compliance Report  
For the Year Ended June 30, 2007  
**IV: REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**  
**E. Schedule of Expenditures of Federal and State Awards**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
<b>State Awards: (continued from previous page)</b>					
<u>N.C. Dept. of Transportation</u>					
<u>Rural Operating Assistance Program Cluster:</u>					
EDTAP		-	\$ -	\$ 63,512	\$ -
Rural General		-	-	68,948	-
Workfirst Transportation		-	-	18,046	-
<u>Total Rural Operating Assistance Program Cluster:</u>			-	150,506	-
<u>N.C. Office of Juvenile Justice</u>					
Juvenile Crime Prevention Council		-	-	265,025	-
<u>N.C. Office of State Budget:</u>					
Public School Building Capital Fund			-	1,683,691	184,904
<u>N.C. Office of State Controller:</u>					
Controlled Substances Tax		-	-	15,492	4,411
<u>N.C. Rural Economic Development Center</u>					
Double Shoals Cotton Mill Rehabilitation		-	-	7,500	-
<u>Total State Awards</u>			-	4,818,982	2,607,684
<u>Total Federal and State Awards</u>			\$ 116,552,512	\$ 49,331,537	\$ 14,812,110

Cleveland County, North Carolina  
Annual Financial and Compliance Report  
For the Year Ended June 30, 2007

IV: REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

E. Schedule of Expenditures of Federal and State Awards

1. Notes to 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 the 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. For example, direct benefit payments are paid directly to recipients and are only included in the County's basic financial statements as part of Notes to Financial Statements (see "Note f: Benefit Payments Issued By the State"). Due to the County's involvement in determining eligibility, such payments are considered federal and state awards to the County and are included on this schedule.

Further, for state audit requirement purposes and under direction of the North Carolina Department of Health and Human Services, the following programs are presented as clusters on the accompanying 'Schedule of Expenditures of Federal and State Awards':

- Subsidized Child Care
- Foster Care and Adoption Assistance

2. Subrecipients

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

Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
<u>Juvenile Crime Prevention Council</u>					
Cleveland County Schools - Early Interventions			\$ -	\$ 81,526	\$ -
Man II Man			-	10,000	-
Mediation Center - Victim Offender			-	25,827	-
Total Juvenile Crime Prevention Council			<u>\$ -</u>	<u>\$ 117,353</u>	<u>\$ -</u>
<u>Rural Operating Assistance Program</u>					
Transportation Assistance of Cleveland County			\$ -	\$ 132,460	\$ -

3. Pass-thru Grant Awards from Jointly Governed Organization ( Isothermal Planning and Development Commission )

Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
<u>U.S. Dept. of Health &amp; Human Services</u>					
<u>Passed-through the N.C. Dept. of Health and Human Services:</u>					
<u>Divisions of Aging (thru Isothermal Planning and Development) and Social Services</u>					
III-B Grants for Supportive Services and Senior Centers - In Home Services	93.044	-	\$ 125,446	\$ 7,379	\$ -
<u>U.S. Dept. of Housing and Urban Development</u>					
<u>Passed-through N.C. Dept of Commerce,</u>					
<u>thru Isothermal Planning and Development</u>					
Community Development Block Grant	14.228	04-C-1288	186,027	-	-
Total pass-thru grants awards from IPDC			<u>\$ 311,473</u>	<u>\$ 7,379</u>	<u>\$ -</u>

Cleveland County, North Carolina  
Annual Financial and Compliance Report  
For the Year Ended June 30, 2007

IV: REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

E. Schedule of Expenditures of Federal and State Awards

1. Notes to Schedule of Expenditures of Federal and State Awards

4. Benefit payments (reimbursements) issued by (to) the State

Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
Women, Infants, Children	10.557	-	\$ 1,697,173	\$ -	\$ -
Food Stamps	10.551	-	16,112,281	-	-
Medical Assistance	93.778	-	83,195,902	41,703,386	7,171,181
Participation in Budgeted County Expenditures					
IV-D Offset Fees-ESC	93.563	-	931	-	480
IV-D Offset Fees-Federal	93.563	-	4,563	(65)	2,415
Independent Living Links	93.674	-	1,795	3,331	-
Links Transitional Funds	93.674	-	104	-	-
IV-E Adoption Subsidy	93.659	-	313,803	88,238	88,238
Energy Assistance Payments	93.568	-	521,988	-	-
AFDC Payments and Penalties	93.560	-	(1,357)	(372)	(372)
AFDC Unemployed Parents Assistance	93.560	-	(30)	(8)	(8)
TANF Payments and Penalties	93.558	-	1,510,120	(170)	607
TANF Unemployed Parents Assistance	93.558	-	(283)	(9)	-
Child Welfare Services Adoption	-	-	-	316,024	90,570
State-County / Special Assistance Domicillary Care Payments	-	-	-	1,425,266	1,425,266
Total participation in budgeted county expenditures			2,351,632	1,832,236	1,607,196
Total direct benefit payments			\$103,356,988	\$ 43,535,621	\$ 8,778,377