

**CHOWAN COUNTY
NORTH CAROLINA**

COMPLIANCE LETTERS

FOR THE YEAR ENDED JUNE 30, 2012

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
Chowan County, North Carolina

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Chowan County, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 11, 2012. Our report includes a reference to other auditors. 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. Other auditors audited the financial statements of the Chowan County ABC Board, as described in our report on Chowan County's financial statements. The financial statements of Chowan County ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of Chowan County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Chowan 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 Chowan County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Chowan County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and; therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, Responses, and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies, 2012-01, 2012-02, and 2012-03, described in the accompanying Schedule of Findings, Responses, and Questioned Costs, to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chowan County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and; accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Chowan County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings, Responses, and Questioned Costs. We did not audit Chowan County's responses and, accordingly, we express no opinion on them.

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
October 11, 2012

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

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

Independent Auditors' Report

To the Board of Commissioners
Chowan County, North Carolina

Compliance

We have audited the compliance of Chowan County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. Chowan County's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings, Responses, and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Chowan County's management. Our responsibility is to express an opinion on Chowan County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133 and the State Single Audit Implementation Act, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Chowan County's compliance with those requirements and performing, such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Chowan County's compliance with those requirements.

In our opinion, Chowan 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, 2012.

Internal Control Over Compliance

Management of Chowan County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Chowan County's internal control over compliance with the 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, 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 Chowan County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and; therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2012-02 to be a material weakness.

Chowan County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings, Responses, and Questioned Costs. We did not audit Chowan County's responses and, accordingly, we express no opinion on the responses.

Schedule of Expenditures of Federal and State Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Chowan County, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise Chowan County's basic financial statements, and have issued our report thereon dated October 11, 2012, which contained an unqualified opinion on those financial statements. We did not audit the financial statements of the Chowan County, North Carolina ABC Board. Those financial statements were audited by other auditors whose report thereon has been furnished to us and; our opinion; insofar as it relates to the amounts included for the Chowan County, North Carolina ABC Board is based solely on the report of the other auditors. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise Chowan 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 the U.S. Office of Management and Budget Circular A-133, Audits of

States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditure of Federal and State wards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
October 11, 2012

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

Independent Auditors' Report

To the Board of Commissioners
Chowan County, North Carolina

Compliance

We have audited the compliance of Chowan County with the types of compliance requirements described in applicable sections of *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Chowan County's major State programs for the year ended June 30, 2012. Chowan County's major State programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings, Responses, and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major State programs is the responsibility of Chowan County's management. Our responsibility is to express an opinion on Chowan County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of OMB Circular A-133, 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 Chowan County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Chowan County's compliance with those requirements.

In our opinion, Chowan 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, 2012.

Internal Control Over Compliance

Management of Chowan County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to State programs. In planning and performing our audit, we considered Chowan County's internal control over compliance with the 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 applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Chowan County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and; therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a State program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material non-compliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2012-02 to be a material weakness.

Chowan County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings, Responses, and Questioned Costs. We did not audit Chowan County's responses and; accordingly, we express no opinion on the responses.

Schedule of Expenditures of Federal and State Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Chowan County, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise Chowan County's basic financial statements, and have issued our report thereon dated October 11, 2012, which contained an unqualified opinion on those financial statements. We did not audit the financial statements of the Chowan County, North Carolina ABC Board. Those financial statements were audited by other auditors whose report thereon has been furnished to us and; our opinion; insofar as it relates to the amounts included for the Chowan County, North Carolina ABC Board, is based solely on the report of the other auditors. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise Chowan 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 the U.S. Office of Management and Budget Circular A-133, Audits of

States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditure of Federal and State Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
October 11, 2012

CHOWAN COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

1. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? X Yes No
- Significant deficiencies identified? Yes X No

Non-compliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? X Yes No
- Significant deficiencies identified? Yes X 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 Circular A-133? X Yes No

Identification of major federal programs:

<u>Federal Program/Cluster Name</u>	<u>CFDA#</u>
Medicaid Cluster	93.720, 93.775, 93.777, 93.778
Child Care Development Fund Cluster	93.575, 93.596
TANF Cluster	93.558, 93.714, 93.716

Dollar threshold used to distinguish between Type A and Type B Programs \$517,484

Auditee qualified as low-risk auditee? Yes X No

CHOWAN COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

2. Findings Related to the Audit of the Basic Financial statements

2012-01

Criteria: Management should design a system of internal controls that limits the same personnel from having access to assets and having access to the general ledger.

Condition: There is inadequate segregation of duties over the cash receipt process. The same person opens the mail, enters the receipts, and balances the drawer.

Context: While performing documentation and testing of major systems of internal controls, we noted the condition described above.

Effect: Misappropriation of cash receipts and errors in the cash receipting process could occur and go undetected.

Cause: Lack of segregation of duties over cash receipts

Recommendation: Require daily approval cash drawer balancing procedure. The County faces limited human resource restrictions; however, the lack of segregation of duties in the collection area requires significant oversight to mitigate the weakness in internal controls.

Contact Person: Zee Lamb, County Manager

Management's Response: Management acknowledges the existence of the weakness, concurs with the finding, and as of September 30, 2012, the necessary procedural changes to mitigate the weaknesses have been made.

CHOWAN COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

2. Findings Related to the Audit of the Basic Financial Statements (continued)

2012-02

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: A significant audit adjustment is a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. The existence of such material adjustments indicated that the County's system of controls did not detect and prevent such errors. We have provided management with a report of these adjustments.

Context: The external auditor identified significant audit adjustments as defined above.

Effect: Internal financial statements, provided to management during the year, may report results that are significantly different than the audited results provided after year-end.

Cause: Insufficient monthly reconciliations and inherent limitations due to the size of finance staff.

Recommendation: Management should examine the adjustments required as a result of our audit and assess the cost/benefit of improving the internal control system to prevent the adjustments in the future, given the County's available resources.

Name of Contact Person: Zee Lamb, County Manager

Management's Response: Management is aware that year-end audit adjustments are typically required. Management will examine controls in place to see if they can be strengthened, given available resources, thus, reducing the number of audit adjustments required at year-end. In the areas where the cost/benefit does not justify improving the control system, management will exercise due caution in performing their oversight function.

CHOWAN COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

2. Findings Related to the Audit of the Basic Financial Statements (continued)

2012-03

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: In the current year, there were material errors in the beginning fund balance amounts due to errors in the reporting of expenditures in the proper fund. Certain expenditures were incorrectly paid for by the incorrect fund. Expenditures were paid for in the Emergency Management Services and the General Fund which should have been reported in the Emergency Telephone System Fund in the prior year.

Context: Management was reconciling the E911 report filed to the state versus the annual financial statements and found the discrepancy.

Effect: For the statements affected, the prior year financial statements were misstated.

Cause: Inadequate supporting documentation provided to the external auditor, who drafted the report, and/or inadequate interpretation of the data provided to the external auditor, who drafted the report.

Recommendation: Proper review of the audited financial statements, as well as timely review of the interim financial statements, should be implemented to prevent prior period adjustments in the future.

Contact Person: Zee Lamb, County Manager

Management's Response: Management concurs.

3. Federal Award Findings, Responses, and Questioned Costs

2012-02

4. State Award Findings, Responses, and Questioned Costs

2012-02

CHOWAN COUNTY, NORTH CAROLINA

SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2012

Finding: 2011-01

Status: Finding was repeated as 2012-01

Finding: 2011-02

Status: Corrected

Finding: 2011-03

Status: Corrected

Finding: 2010-04

Status: Repeated as 2012-02

Finding: 2011-05

Status: Finding repeated as 2012-03; however, the finding was related to a different issue.

CHOWAN COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Grantor / Pass-through Grantor / Program Title	CFDA Number	Expenditures	
		Federal	State
Federal Awards:			
U.S. Department of Agriculture:			
Food and Nutrition Service			
Passed-through N.C. Department of Health & Human Services			
Division of Social Services:			
Administration			
Supplemental Nutrition Assist. Program Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	\$ 187,053	\$ -
Passed-through N.C. Department of Health & Human Services			
Division of Public Health:			
Direct Benefit Payments:			
Special Supplemental Nutrition Program for Women, Infant, & Children	10.557	365,563	-
Total U.S. Department of Agriculture		<u>552,616</u>	<u>-</u>
Administration for Children and Families:			
Passed-through the N.C. Department of Health and Human Services			
Division of Social Services:			
Foster Care and Adoption Cluster (Note 2):			
Title IV-E Foster Care - Administration	93.658	64,476	5,134
Foster Care - Direct Benefit Payments	93.658	30,348	8,443
Adoption Assistance - Direct Benefit Payments	93.659	24,763	6,627
Total Foster Care and Adoption:		<u>119,587</u>	<u>20,204</u>
<u>Temporary Assistance for Needy Families Cluster</u>			
Temporary Assistance for Needy Families (TANF) / Work First - Administration	93.558	223,808	-
TANF / Work First - Direct Benefit Payments	93.558	203,704	-
Total TANF Cluster		<u>427,512</u>	<u>-</u>
NC Child Support Enforcement Section:			
IV-D Administration / CSE Incentive Recovery	93.563	134,550	-
IV-D Offset Fees - ESC	93.563	60	-
IV-D Offset Fees - Federal	93.563	1,443	-
Low-Income Home Energy Assistance Block Grant:			
Administration	93.568	56,610	-
Crisis Intervention Program	93.568	98,588	-
Child Welfare Services - State Grants			
- Permanency Planning - Families for Kids	93.645	4,137	-
SSBG - Other Service and Training	93.667	81,920	13,840
LINKS - Administration	93.674	1,062	266
Family Preservation	93.556	523	-

CHOWAN COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Grantor / Pass-through Grantor / Program Title	CFDA Number	Expenditures	
		Federal	State
Division of Child Development:			
Subsidized Child Care (Note 2)			
<u>Child Care Development Fund Cluster:</u>			
Division of Social Services:			
Child Care Development Fund - Administration	93.596	80,000	-
Division of Child Development:			
Child Care and Development Block Grant	93.575	283,629	-
Child Care and Development Fund - Mandatory	93.596	106,162	-
Child Care and Development Fund - Match	93.596	<u>35,593</u>	-
Total Childcare Development Fund Cluster		505,384	-
TANF	93.558	124,646	-
ARRA-Emergency Contingency Fund For TANF	93.714	10,924	-
Foster Care Title IV-E	93.658	3,806	-
TANF - MOE		-	20,618
State Appropriations		-	<u>14,868</u>
Total Subsidized Child Care		<u>644,760</u>	<u>35,486</u>
Centers for Medicare and Medicaid Services:			
Passed-through the N.C. Department of Health and Human Services			
Division of Medical Assistance:			
Direct Benefit Payments:			
Medical Assistance Program	93.778	14,658,703	8,706,477
Division of Social Services:			
Administration:			
Medical Assistance Program	93.778	<u>327,347</u>	<u>9,487</u>
Total Medicaid Cluster:		14,986,050	8,715,964
State Children's Insurance Program - N.C. Health Choice	93.767	<u>9,538</u>	<u>29</u>
Total Centers for Medicare and Medicaid Services		<u>14,995,588</u>	<u>8,715,993</u>
Department of Homeland Security			
Passed-through NC Department of Public Safety Division of Emergency Management:			
Emergency Management	93.036	100,413	-
Passed-through the N.C. Department of Crime Control and Public Safety:			
Emergency Management	14.239	<u>30,105</u>	-
Total Federal Awards		<u>\$ 17,249,474</u>	<u>\$ 8,785,789</u>

CHOWAN COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Grantor / Pass-through Grantor / Program Title	CFDA Number	Expenditures	
		Federal	State
State Awards:			
N.C. Department of Health and Human Services:			
Division of Aging and Adult Services:			
Division of Social Services:			
State/County Special Assistance for Adults - DBP			196,755
Division of Social Services:			
Administration:			
AFDC Incentive/Program Integrity			4
TANF Incentive/Program Integrity			1,659
Direct Benefits:			
CWS Adoption Subsidy			10,935
Foster Care At-Risk			188
State Foster Home			93
Total Division of Social Services			<u>209,634</u>
N.C. Department of Environmental & Natural Resources:			
Division of Soil & Water Conservation			
Soil & Water - Agricultural Cost Share			23,616
Soil & Water Conservation-Admin			3,600
Total N.C. Department of Environmental & Natural Resources			<u>27,216</u>
SHIP Mini Grant			<u>3,857</u>
N.C. Department of Public Instruction			
Public School Building Capital Fund			<u>180,057</u>
Total State Awards			<u>420,764</u>
Total Federal and State Awards		<u>\$ 17,249,474</u>	<u>\$ 9,206,553</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 Chowan 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 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