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, 2005, which collectively comprise the County’s basic financial statements, and have issued our report thereon dated October 20, 2005. 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.
October 20, 2005
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, 2005. 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, 2005.
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.
October 20, 2005
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, 2005. 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, 2005.
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.

Martin Starnes & Associates, CPAs, P.A.
October 20, 2005
LINCOLN COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

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, 2005 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
- Foster Care and Adoption Cluster 93.658 & 93.659

G. Major State programs for Lincoln County for the year ended June 30, 2005 are:

- Medicaid Cluster (State Portion)
- SC/SA Domiciliary Care Payments
- Subsidized Child Care Cluster (State Portion)
- Public School Building Capital Fund
- State Children's Insurance Program (CHIPS)

H. The threshold for determining Type A programs for Lincoln County is $1,495,716.

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, 2005

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, 2005

N/A-Not applicable
LINCOLN COUNTY, NORTH CAROLINA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

None.
LINCOLN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2005

<table>
<thead>
<tr>
<th>Grantor/Pass-through Grantor/Program Title</th>
<th>State/Pass-through Federal CFDA Number</th>
<th>Pass-through Grantor's Number</th>
<th>Fed. (Direct &amp; Expenditures)</th>
<th>State Expenditures</th>
<th>Local Expenditures</th>
</tr>
</thead>
</table>

**Federal Awards:**

**U.S. Dept. of Agriculture**

**Food and Nutrition Service**
Passed-through the N.C. Dept. of Health and Human Services:
Division of Social Services:
Administration:
- Food Stamp Cluster:
  - Food Stamp Program - Noncash: 10.551 $5,305,585 $ - $ -
  - State Administrative Matching Grants for:
    - Food Stamp Admin: 10.561 $264,241 - $ 264,241
    - Food Stamp E&T & Depend Care: 10.561 $2,198 - $ 2,198
    - Food Stamp TFT: 10.561 $6,133 - $ 6,133
    - Food Stamp Fraud Admin: 10.561 $14,826 - $ 14,826
  - Total Food Stamp Cluster: 5,592,983 - $ 287,398

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 $173,750 - -

Direct Benefit Payments:
- Special Supplemental Nutrition Program for Women, Infants, & Children: 10.557 $866,657 - -

Passed-through Centralina Council of Governments
USDA Supplement: 10.570 $1,295 - -
- Total U.S. Department of Agriculture: 6,634,685 - $ 287,398

**U.S. Dept. of Housing & Urban Development**
Passed-through N.C. Division of Community Assistance
CDBG Small Cities Program (Scattered-Site Housing): 14.219 $232,919 - -
- Total U.S. Dept. of Housing & Urban Development: 232,919 - -

**U.S. Dept. of Justice**

**Bureau of Justice Assistance**
Passed-through N.C. Dept. of Crime Control and Public Safety:
Community Policing (COPS): 16.710 $50,000 - -
- Total U.S. Dept. of Justice: 50,000 - -

**U.S. General Services Administration**
Passed-through N.C. Board of Elections
List Maintenance: 39.011 $2,973 - -
Technology: 39.011 $11,494 - -
- Total U.S. Dept. of Transportation: 14,467 - -

**U.S. Dept. of Transportation**
National Highway Traffic Safety Administration
Passed-through the N.C. Department of Transportation
Formula Grant: 20.509 $692 32 -
Safety Incentives (Hwy 321 Corridor Five County Grant): 20.605 $39,458 - -
- Total U.S. Dept. of Transportation: 40,150 32 -
## U.S. Department of Homeland Security

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 HS-MU-03-2055 196,318 - -
- Homeland Security Grant 2003 Part I 97.004 HS-TE-03-1055 19,880 - -
- Homeland Security Grant 97.004 EMPG-2004-37109 22,824 - -
Total U. S. Department of Homeland Security 239,022 - -

## U.S. Dept. of Health & Human Services

Administration on Aging
Division of Social Services
Passed-through Centralina Council Governments
Aging Cluster:
- Special Programs for the Aging - Title III B
  Disease Prevention and Health Promotion Services 93.043 2,445 144 -
- Supportive Services and Senior Center
  Access 93.044 44,669 78,158 -
  In-Home 93.044 41,989 109,852 -
- Nutrition Services 93.045 14,291 6,418 -
- National Family Caregiver Support 93.052 19,923 1,007 -
Total Aging Cluster 123,317 195,379 -

Passed-through the N.C. Dept. of Health and Human Services:
Division of Social Services:
Foster Care and Adoption Cluster:
- IV-E Child Protective Services 93.658 165,177 43,997 121,180
- IV-B Child Protective Services 93.658 93,361 - 93,361
- IV-B Waiver 93.658 525 263 263
- IV-B Foster Care In-Excess 93.658 19,824 - 11,432
- IV-B Foster Care 93.658 53,064 15,292 15,292
- IV-B Adoption Subsidy & Vendor 93.659 154,845 44,628 44,628
Total Foster Care and Adoption Cluster 486,796 104,180 286,156

Work First Administration 93.558 87,253 32,691 66,121
Work First Service 93.558 594,620 203,348 411,293
TANF Domestic Violence 93.558 7,721 - -
TANF TEA Foster Care 93.558 18,404 - -
TANF TEA Foster Care Max 93.558 30,097 - -
TANF Payments & Penalties 93.558 487,985 (85) -
TANF UP 93.558 19,196 - -
AFDC Payments & Penalties 93.560 (550) (139) (139)
N. C. Child Support Enforcement Section 93.563 478,102 - 245,320

Low-Income Home Energy Assistance Block Grant:
- Administration 93.568 10,032 - -
- Energy Assistance Payments- Direct Benefit Payments 93.568 88,540 - -
- Crisis Intervention Payments 93.568 47,625 - -
- Permanency Planning - Regular 93.645 15,904 5,301 -
- Permanency Planning - Special 93.645 4,718 - 1,573
- SSDG - Other Service and Training 93.679 131,001 15,683 55,561
- Independent Living Grant 93.674 12,738 3,184 -
- Adoption/Foster Care 93.658 71,191 - -
<table>
<thead>
<tr>
<th>Grantor/Program Title</th>
<th>State/Pass-through</th>
<th>Fed. (Direct &amp; Pass-through)</th>
<th>State Expenditures</th>
<th>Local Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grantor/Program Title</td>
<td>CFDA Number</td>
<td>Grantor's Number</td>
<td>Expenditures</td>
<td>Expenditures</td>
</tr>
<tr>
<td>County Funded Programs</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>63</td>
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<tr>
<td>DCD Smart Start</td>
<td>-</td>
<td>58,870</td>
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<tr>
<td>SC/SA Administration</td>
<td>-</td>
<td>50,561</td>
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<td>State Adult Protective Service</td>
<td>-</td>
<td>38,661</td>
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<td>Childcare Development Fund—Administration</td>
<td>93.596</td>
<td>72,780</td>
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<tr>
<td>IV-D Offset Fees-ESC</td>
<td>93.563</td>
<td>499</td>
<td>-</td>
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<tr>
<td>IV-D Offset Fees-Federal</td>
<td>93.563</td>
<td>1,640</td>
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<tr>
<td>AFDC Incent/Program Integrity</td>
<td>-</td>
<td>70</td>
<td>-</td>
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<tr>
<td>CWS Adopt Subsidy &amp; Vendor</td>
<td>-</td>
<td>135,605</td>
<td>50,428</td>
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<tr>
<td>PFC At Risk Maximization</td>
<td>-</td>
<td>10,152</td>
<td>5,821</td>
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<tr>
<td>SC/SA Domiciliary Care Payment</td>
<td>-</td>
<td>491,074</td>
<td>491,074</td>
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<tr>
<td>State Foster Home</td>
<td>-</td>
<td>19,742</td>
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<td>19,742</td>
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<td>Foster Care at Risk</td>
<td>-</td>
<td>1,203</td>
<td>-</td>
<td>267</td>
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<tr>
<td>Total Division of Social Services</td>
<td>-</td>
<td>2,705,737</td>
<td>1,151,799</td>
<td>1,673,043</td>
</tr>
</tbody>
</table>

Division of Aging:

Division of Social Services:

SSBQ - State In Home Service Fund                        | 93.667             | 4,384                        | -                  | 626               |

Division of Child Development:

Subsidized Child Care Cluster:
- Child Care and Development Fund -- Discretionary       | 93.575             | 651,910                      | -                  |                   |
- Child Care and Development Fund -- Mandatory           | 93.596             | 287,733                      | -                  |                   |
- Child Care and Development Fund -- Match               | 93.596             | 225,522                      | 129,619            |                   |
- Social Services Block Grant                            | 93.667             | 7,425                        | -                  |                   |
- TANF                                                    | 93.558             | 184,133                      | -                  |                   |
- Smart Start                                             | -                  | 75,418                       | -                  |                   |
- State Appropriations                                    | -                  | 49,052                       | -                  |                   |
- TANF-MOS                                                | -                  | 349,100                      | -                  |                   |
| Total Subsidized Child Care Cluster                     | -                  | 1,356,723                    | 603,189            |                   |

Health Care Financing Administration

Passed-through the N.C. Dept. of Health and Human Services:
Division of Medical Assistance:
- Administration:
  - North Carolina Health Choice                         | 93.767             | 19,238                       | 2,590              | 4,002             |
  - Adult Care Home Case Management                      | 93.778             | 44,619                       | 24,771             | 19,847            |
  - Medical Assistance Admin                             | 93.778             | 437,181                      | -                  | 437,181           |
  - Medical Transportation Admin                         | 93.778             | 7,521                        | -                  | 7,521             |
  - Medical Transportation Service                       | 93.778             | 10,541                       | 5,163              | 912               |
  - Medical Assistance Expansion                         | 93.778             | 11,121                       | 11,121             |                   |
- Direct Benefit Payments:
  - Medical Assistance Program                           | 93.778             | 37,659,114                   | 18,200,519         | 2,542,567         |

Centers for Disease Control

Passed-through the N.C. Dept. of Health and Human Services:
Division of Public Health:
Statewide Health Promotion Program                       | 93.991             | 10,749                       | -                  |                   |
Cooperative Agreements for State-Based Comprehensive      | 93.919             | 47,500                       | -                  |                   |
Breast and Cervical Cancer Early Detection Programs       | -                  | -                            | -                  |                   |
## Health Resources and Services Administration

Passed-through the N.C. Dept. of Health and Human Services:

**Division of Public Health:**
- Maternal and Child Health Services Block Grant
- Immunization Program/Aid to County Funding
- Bioterrorism Grant
- School Nursing Funding Initiative

**Central Administration / Office of Research, Demonstration, and Rural Development:**
- Temporary Assistance for Needy Families

<table>
<thead>
<tr>
<th>Grantor/Pass-through</th>
<th>State/ Pass-through</th>
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<tbody>
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<td></td>
<td>CFDA Number</td>
<td>Grantor's Number</td>
<td>Expenditures</td>
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<tr>
<td>Maternal and Child Health Services Block Grant</td>
<td>93.994</td>
<td>131,294</td>
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<tr>
<td>Immunization Program/Aid to County Funding</td>
<td>93.268</td>
<td>21,389</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Bioterrorism Grant</td>
<td>93.283</td>
<td>37,528</td>
<td>-</td>
<td>-</td>
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<tr>
<td>School Nursing Funding Initiative</td>
<td>93.994</td>
<td>17,424</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Temporary Assistance for Needy Families</td>
<td>93.558</td>
<td>574</td>
<td>-</td>
<td>-</td>
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<td><strong>Total</strong></td>
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<td><strong>42,645,954</strong></td>
<td><strong>20,194,731</strong></td>
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**State Awards:**

**N.C. Dept. of Cultural Resources**
- Cultural Grant NCGA

<table>
<thead>
<tr>
<th>Grantor/Pass-through</th>
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<tr>
<td></td>
<td>CFDA Number</td>
<td>Grantor's Number</td>
<td>Expenditures</td>
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</tr>
<tr>
<td>Cultural Grant NCGA</td>
<td>-</td>
<td>-</td>
<td>100,000</td>
<td>-</td>
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<tr>
<td><strong>Total</strong> N.C. Dept. of Cultural Resources</td>
<td>-</td>
<td>-</td>
<td><strong>100,000</strong></td>
<td>-</td>
</tr>
</tbody>
</table>

**N.C. Department of Environment and Natural Resources**

**Division of Soil & Water**
- AG Cost Share Funds
- Administrative Match Funds

**Division of Waste Management**
- White Goods Management Program
- Scrap Tire Program

<table>
<thead>
<tr>
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<th>State/ Pass-through</th>
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<td></td>
<td>CFDA Number</td>
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<td>Expenditures</td>
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</tr>
<tr>
<td>AG Cost Share Funds</td>
<td>-</td>
<td>-</td>
<td>22,934</td>
<td>-</td>
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<tr>
<td>Administrative Match Funds</td>
<td>-</td>
<td>-</td>
<td>4,000</td>
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<tr>
<td>White Goods Management Program</td>
<td>-</td>
<td>-</td>
<td>26,215</td>
<td>-</td>
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<tr>
<td>Scrap Tire Program</td>
<td>-</td>
<td>-</td>
<td>65,506</td>
<td>-</td>
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<tr>
<td><strong>Total N.C. Dept. of Environmental and Natural Resources</strong></td>
<td>-</td>
<td>-</td>
<td><strong>118,645</strong></td>
<td>-</td>
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</tbody>
</table>

**N.C. Dept. of Health and Human Services**

**Division of Social Services**
- Administrative:
  - State Aid to Counties
  - TANF Incident/Program Integrity
  - Administration on Aging

**Division of Social Services**
- Passed through Centralina Council of Governments
- Senior Center Outreach
- Senior Center General Purpose

<table>
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<tr>
<th>Grantor/Pass-through</th>
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<tr>
<td></td>
<td>CFDA Number</td>
<td>Grantor's Number</td>
<td>Expenditures</td>
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<td>Administrative: State Aid to Counties</td>
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<td>TANF Incident/Program Integrity</td>
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<td>Administration on Aging</td>
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**Division of Public Health**
- General
- AIDS
- Communicable Disease
- Risk Reduction/Health Promotion
- Tuberculosis
- Women's Preventable Health
- School Nursing Funding Initiative
- TB Medical Services

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LINCOLN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2005

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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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