

**EDGECOMBE COUNTY
NORTH CAROLINA**

COMPLIANCE LETTERS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

EDGECOMBE COUNTY, NORTH CAROLINA

COMPLIANCE LETTERS FOR THE YEAR ENDED JUNE 30, 2015

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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

Independent Auditor's Report

To the Board of Commissioners
Edgecombe County
Tarboro, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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 Edgecombe County, North Carolina, as of and for the year ended June 30, 2015, not presented here and the related notes to the financial statements, which collectively comprise Edgecombe County's basic financial statements, and have issued our report thereon dated March 7, 2016. Our report includes a reference to other auditors who audited the financial statements of the Edgecombe County ABC Board, as described in our report on Edgecombe County's financial statements. The financial statements of the Edgecombe County ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Edgecombe County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Edgecombe County's internal control. Accordingly, we do not express an opinion on the effectiveness of Edgecombe County's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings, Responses, and Questioned Costs as items 2015-001, 2015-002, 2015-003, 2015-004, 2015-005, and 2015-006, that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Edgecombe 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 an instance of non-compliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2015-006.

Edgecombe County's Responses to Findings

The County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings, Responses, and Questioned Costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
March 7, 2016

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Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; Report On The Schedule Of Expenditures Of Federal And State Awards As Required By OMB Circular A-133; And The State Single Audit Implementation Act

Independent Auditor's Report

To the Board of Commissioners
Edgecombe County
Tarboro, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Edgecombe County, North Carolina's, compliance with the types of compliance requirements described in 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 Edgecombe County's major federal programs for the year ended June 30, 2015. Edgecombe County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Edgecombe County's major federal programs based on our audit of the types of compliance requirements referred to above. 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; 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 Edgecombe 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Edgecombe County's compliance.

Opinion on Each Major Federal Program

In our opinion, Edgecombe County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Edgecombe County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Edgecombe 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 that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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 Edgecombe County's internal control over compliance.

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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal and State Awards Required by OMB Circular A-133 and the State Single Audit Implementation Act

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 Edgecombe County, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Edgecombe County's basic financial statements. We issued our report thereon dated March 7, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Edgecombe 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 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 additional 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 Expenditures of Federal and State Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
March 7, 2016

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

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Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; Report On The Schedule Of Expenditures Of Federal And State Awards As Required By OMB Circular A-133 And The State Single Audit Implementation Act

Independent Auditor's Report

To the Board of Commissioners
Edgecombe County
Tarboro, North Carolina

Report on Compliance for Each Major State Program

We have audited Edgecombe County, North Carolina's, compliance with the types of compliance requirements described in 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 Edgecombe County's major State programs for the year ended June 30, 2015. Edgecombe County's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Edgecombe County, North Carolina's, major State programs based on our audit of the types of compliance requirements referred to above. 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, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, 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 State program occurred. An audit includes examining, on a test basis, evidence about Edgecombe 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 on compliance for each major State program. However, our audit does not provide a legal determination of Edgecombe County's compliance.

Opinion on Each Major State Program

In our opinion, Edgecombe County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Edgecombe County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Edgecombe County's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State program 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 Edgecombe County's internal control over compliance.

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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal and State Awards Required by OMB Circular A-133 and the State Single Audit Implementation Act

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 Edgecombe County, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Edgecombe County's basic financial statements. We issued our report thereon dated March 7, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Edgecombe County's basic financial statements.

The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by OMB Circular A-133, *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 additional 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 Expenditures of Federal and State Awards is fairly stated, in all material respects in relation to the financial statements as a whole.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
March 7, 2016

EDGECOMBE COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
• Material weakness (es) identified?	Yes
• Significant deficiency(s) identified that are not considered to be material weaknesses?	None reported
Non-compliance material to financial statements noted?	Yes

Federal Awards

Internal control over major federal programs:	
• Material weakness (es) identified?	No
• Significant deficiency(s) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major federal programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No

Identification of major federal programs:

<u>Federal Program</u>	<u>CFDA Number</u>
Medicaid Cluster	93.778
Dollar threshold used to distinguish between Type A and Type B programs	<u>\$2,702,462</u>
Auditee qualified as low-risk auditee?	No

EDGECOMBE COUNTY, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

1. Summary of Auditor's Results (continued)

State Awards

Internal control over major State programs:

- Material weakness (es) identified? No
- Significant deficiency(s) identified that are not considered to be material weaknesses? None reported

Type of auditor's report issued on compliance for major State programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? No

Identification of major State programs:

Medicaid Cluster
Golden Leaf Foundation Grant
NC Dept. of Commerce - Building Reuse Program Economic Development Grant
NC Dept. of Commerce - Rural Center

EDGECOMBE COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

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

Finding 2015-001 Controls Over Financial Reporting:

Criteria: Management should have a system in place to ensure the timeliness of financial reporting.

Condition: Effective financial reporting requires timely access to information to management and other users of the financial statements.

Effect: The County's management and other users of the financial statements do not have timely information for decision-making and monitoring of the County's financial position and adherence to laws, regulations, and other requirements.

Cause: For several consecutive years, extenuating circumstances including personnel issues and accounting for complex transactions caused client delays in preparing and providing accurate information for the annual audit and preparation of the financial statements. In the current year, the County entered into a transaction involving a complex debt agreement of \$6.9 million that was not accounted for properly and did not identify a component unit that was a result of this transaction. The information necessary to account for the complex debt transaction required significant time and a resolution was not achieved until March 3, 2016. In addition, subsidiary ledgers and documentation related to tax schedules and the debt transactions were not reconciled to the trial balance. Material journal entries, presentation and disclosure of a discretely presented component unit, as well as corrections to the financial statement presentation had to be made as a result of these transactions. Ultimately this prevented auditing procedures from being performed during the scheduled fieldwork days and caused delays in the issuance of the audit report.

Context: The County's annual financial statements are not available in a timely manner for internal use and are materially past due to outside reporting agencies.

Recommendation: The County should evaluate the allocation of internal resources dedicated to financial reporting to ensure adequate resources are available for year-end close and annual financial reporting purposes. Management should consult with outside accountants or auditors if additional assistance is required in order to prepare for the annual audit, determine appropriate accounting for complex transactions, or prepare the financial statements.

Name of Contact Person: JoAnne Crabtree, Finance Director

Views of Responsible Officials and Planned Corrective Actions: The County is aware of the circumstances, which lead to the late completion of the annual audit and issuance of the financial statements. Once information was submitted to the auditors for review, the auditor's schedule was unable to accommodate time for consultation on the complex transactions, which resulted in an approximate 2 month delay. Management will dedicate or procure resources accordingly in order to prepare for the annual audit and issue the 2016 financial statements in a timely manner.

EDGECOMBE COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

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

Finding 2015-002 Deficit Fund Equity:

Criteria: Management should have a control system in place to reduce the likelihood that funds operate in a deficit.

Condition: The CDBG Grant Fund was operating in a deficit.

Effect: The County was operating in a deficit in the CDBG Grant Fund.

Cause: The County adopted a balanced budget; however, the fund is currently at a deficit balance until grant reimbursements, which were deferred for fund accounting purposes, are received.

Recommendation: The County should transfer funds to these projects to cover the deficit until reimbursement revenues become available.

Contact Person: JoAnne Crabtree, Finance Director

Views of Responsible Officials and Planned Corrective Actions: The County concurs and will re-evaluate the current recording of the projects in question. The appropriate action will be taken during fiscal year 2016 to address any deficit revenues. However, management expects the grants to be received during fiscal year 2016, correcting the deficit fund balance and making any further action unnecessary.

EDGECOMBE COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

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

Finding 2015-003 Prior Period Adjustment

Criteria: Management should have a system in place to reduce the likelihood of errors in annual financial reporting related to review and reporting of third party information.

Condition: An error was discovered with regard to government-wide assets and the County's investment in the Rocky Mount-Wilson Airport joint venture. Beginning net position for governmental activities was restated.

Context: While performing testing on governmental activities capital assets, we noticed the condition above.

Cause: Inaccurate valuation for the equity interest in the County's joint venture.

Effect: For the statements affected, the prior year financial statements were misstated for the assets related to the Rocky Mount-Wilson Airport joint venture.

Recommendation: Careful review of third-party information prior to including asset additions on the audited financial statements to prevent prior period adjustments in the future.

Name of Contact Person: JoAnne Crabtree, Finance Director

Management's Response/Corrective Action: Management would like to point out that these projects began several years prior to the current County Manager and Finance Director holding their positions. Current staff, of course, cannot go back and correct these oversights but will monitor and carefully review the audited financial statements in the future to prevent this oversight from happening again.

EDGECOMBE COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

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

Finding 2015-004 Material Adjusting Journal Entries

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.

Cause: Inadequate monitoring by management.

Effect: Financial reports used for budget monitoring throughout the year do not properly reflect the account balances.

Context: While performing audit procedures, we noted the condition described above.

Recommendation: Management should examine the adjustments required as a result of our audit and the finance director should assure they are reconciled and posted prior to the audit.

Name of Contact Person: JoAnne Crabtree, Finance Director

Management's Response: Management concurs with the finding, and will review reports in the future.

EDGECOMBE COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

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

Finding 2015-005 Lack of Timely Reconciliations

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

Condition: Effective financial reporting requires timely account reconciliation of significant accounts.

Context: While performing audit procedures, we noted the condition described above during our audit of capital assets and debt.

Cause: Lack of review and monitoring.

Effect: Errors in financial reporting could occur and not be detected.

Recommendation: The County should evaluate the allocation of internal resources dedicated to account reconciliation to ensure adequate resources are available to ensure timely reconciliation of account information

Name of Contact Person: JoAnne Crabtree, Finance Director

Management's Response/Corrective Action: We agree and we will dedicate adequate resources to prepare timely reconciliations.

EDGECOMBE COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

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

Finding 2015-006 Bond Rate Covenant

Criteria: Management should have a system in place to monitor compliance with rate covenants associated with revenue bonds issued by the County.

Condition: Revenue bonds were issued in December, 2011, which require certain ratios be met as a means of ensuring that the Water & Sewer District No. 5 will continue to produce adequate revenues to service the debt. These ratios were not met in the current year.

Context: While reviewing the financial statements, we noted the condition described above.

Effect: The Water & Sewer District No. 5 has not demonstrated net revenues sufficient to meet bond rate covenants. When covenants are not met, the County is required to seek consultations with specialists to determine if rate increases or other measures are needed in order to ensure future compliance. The County is also required to notify certain parties of the non-compliance.

Cause: Management did not take necessary measures to ensure that all required debt service covenants were met in the current fiscal year.

Recommendation: In order to comply with the covenants, the County must seek consultations to make necessary changes in the Water & Sewer District No. 5 to ensure that net revenues are sufficient in the future, either through rate increases or expense reductions, and make all necessary notifications of failure to meet the covenants in the current year.

Contact Person: JoAnne Crabtree, Finance Director

Management's Response: Management concurs and has taken the required steps to address and resolve the non-compliance in fiscal year 2016 by a rate adjustment in July, 2015. Monthly revenues and expenditures are scrutinized to insure the required percentage is attained and prevent future non-compliance.

EDGECOMBE COUNTY, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

3. Federal Award Findings and Questioned Costs

None reported

4. State Award Findings and Questioned Costs

None reported

EDGECOMBE COUNTY, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

2014-001: Repeated as Finding 2015-001.

2014-002: Repeated as Finding 2015-002.

Edgecombe County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2015

Grantor/Pass-Through	Federal			
Grantor/Program Title	CFDA	Federal	State	Local
	Number	Expenditures	Expenditures	Expenditures
FEDERAL GRANTS:				
U.S. Department of Health and Human Services:				
Passed-through N.C. Department of Health and Human Services:				
Division of Social Services:				
Administration:				
Low Income Home Energy Administration	93.568	\$ 66,788	\$ -	\$ -
Low Income Home Energy Assistance	93.568	507,100	-	-
Low Income Home Energy Assistance Crisis Intervention	93.568	337,945	-	-
Promoting Safe & Stable Families	93.556	15,754	-	-
SSBG - State Adult Daycare	93.667	27,968	11,795	8,754
SSBG - State In Home Service Fund	93.667	8,356	-	1,194
Social Services Block Grant	93.667	313,602	29,746	114,449
Child Support Enforcement	93.563	952,026	-	490,438
Chafee Foster Care Independence Program	93.674	10,874	2,718	-
Stephanie Tubbs Jones Child Welfare Services Program:				
Permanency Planning - Families for Kids	93.645	11,254	-	3,751
Children's Health Insurance Program - NC Health Choice	93.767	12,065	2,544	1,244
Refugee and Entrant Assistance - State Administered Program	93.566	335	-	-
Total Administration		<u>2,264,067</u>	<u>46,803</u>	<u>619,830</u>
Direct Benefit Payments:				
Family Support Payments to State's Assistance Payments	93.560	(768)	(211)	(211)
Chafee Foster Care Independence Program - Transitional	93.674	12,166	-	-
Children's Health Insurance Program - NC Health Choice	93.767	825,835	259,133	-
Total Direct Benefits		<u>837,233</u>	<u>258,922</u>	<u>(211)</u>
TANF Cluster:				
Administration:				
Temporary Assistance for Needy Families (TANF)	93.558	1,330,877	-	1,186,422
Direct Benefit Payments:				
TANF Payments & Penalties	93.558	732,978	-	-
Total TANF Cluster		<u>2,063,855</u>	<u>-</u>	<u>1,186,422</u>
Foster Care and Adoption Cluster (Note 3):				
Administration:				
Adoption Assistance				
IV-E Adoption Training	93.659	19,684	-	19,108
Foster Care				
Title IV-E CPS	93.658	2,643	33,628	1,321
Title IV-E Foster Care Training	93.658	133,594	-	133,158
Title IV-E Foster Care Subsidy	93.658	6,383	-	-
Fos./Par.Fing. & Crime His	93.658	-	85	-
Direct Benefit Payments:				
Adoption Assistance				
Title IV-E Adoption Subsidy	93.659	377,057	97,774	97,774
Foster Care				
IV-E Foster Care	93.658	101,248	28,356	28,387
Total Foster Care and Adoption Cluster		<u>640,609</u>	<u>159,843</u>	<u>279,748</u>

Edgecombe County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2015

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures	State Expenditures	Local Expenditures
Medicaid Cluster:				
Administration:				
Medical Assistance Program				
Medical Assistance Program	93.778	1,587,829	-	480,304
Adult Care Home Case Mgmt	93.778	12,868	5,637	7,231
MA Expansion	93.778	3,269	-	3,269
DMA Equipment	93.778	6,232	-	2,077
State County Special Assistance	93.778	7,003	-	2,000
Medical Transportation Administration	93.778	80,190	-	80,190
Direct Benefit Payments:				
Medical Assistance Program	93.778	73,970,806	41,087,335	458,842
Total Division of Medical Assistance		75,668,197	41,092,972	1,033,913
Subsidized Child Care (Note 3):				
Child Care Development Fund Cluster:				
Division of Social Services:				
Child Care Development Fund - Administration	93.596	183,367	-	-
Division of Child Development:				
Child Care and Development Fund - Discretionary	93.575	1,186,901	-	-
Child Care and Development Fund - Mandatory	93.596	435,307	-	-
Child Care and Development Fund - Match	93.596	132,016	-	-
Total Child Care Development Fund Cluster		1,937,591	-	-
Temporary Assistance for Needy Families Cluster:				
Foster Care Title IV-E	93.658	27,571	14,279	-
State Appropriations	N/A	-	245,858	-
TANF-MOE	N/A	-	17,599	-
Total Subsidized Child Care Cluster		2,301,748	277,736	-
Centers for Disease Control and Prevention				
Passed through NC Dept of Health & Human Services				
Division of Public Health				
Project Grants and Cooperative Agreements for				
Tuberculosis Control Programs	93.116	24,155	-	-
Cooperative Agreements for State-Based Comprehensive				
Breast & Cervical Cancer Early Detection Programs	93.919	16,411	-	-
Immunization Grants	93.268	22,160	-	-
HIV Prevention Activities - Health Department Based	93.940	1,000	-	-
Hospital Preparedness Program (HPP) and Public Health				
Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	34,291	-	-
Preventive Health and Health Services Block Grant funded				
solely with Prevention and Public Health Funds (PPHF)	93.758	7,367	-	-
Child Lead Poisoning Prevention Surveillance financed in part				
by Prevention and Public Health (PPHF) Program	93.753	4,441	-	-
Preventive Health Services_Sexually Transmitted Diseases Control	93.977	217	-	-
Preventive Health & Health Services Block Grant	93.991	9,050	-	-

Edgecombe County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2015

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures	State Expenditures	Local Expenditures
Administration of Children and Families Passed through NC Dept of Health & Human Services Division of Public Health Temporary Assistance for Needy Families - Cluster	93.558	13,088	-	-
Health Resources and Service Administration Passed through NC Dept of Health & Human Services Division of Public Health Healthy Start Initiative	93.926	77,100	-	-
Office of Population Affairs Passed through NC Dept of Health & Human Services Office of Population Affairs Family Planning Services	93.217	78,628	-	-
Total U.S. Department of Health and Human Services		84,063,617	41,836,276	3,119,702
U.S. Department of Agriculture:				
Passed-through N.C. Department of Health and Human Services:				
Division of Social Services:				
SNAP Cluster:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	621,965	(371)	621,965
Total Division of Social Services		621,965	(371)	621,965
Division of Public Health:				
Administration:				
Special Supplemental Nutrition Program for WIC	10.557	385,327	-	-
Direct Benefit Payments:				
Special Supplemental Nutrition Program for WIC	10.557	1,395,957	-	-
Total Division of Public Health		1,781,284	-	-
Passed-through N.C.Rural Economic Development Center:				
Water and Waste Program Cluster				
Water and Waste Disposal Systems for Rural Communities - Grant	10.770	1,877,763	-	-
Water and Waste Disposal Systems for Rural Communities - Loan	10.770	393,000	-	-
Water and Waste Disposal Systems for Rural Communities - Loan	10.770	221,586	-	-
Total U.S. Department of Agriculture		4,895,598	(371)	621,965
U.S. Department of Housing and Urban Development:				
Passed-through N.C. Department of Commerce:				
Community Development Block Grants/Entitlement Grants	14.218	66,860	-	-
CDBG States Program & Non-entitlement Grants in Hawaii	14.228	201,372	-	-
Total U.S. Department of Housing and Urban Development		268,232	-	-

Edgecombe County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2015

Grantor/Pass-Through	Federal	Federal	State	Local
Grantor/Program Title	CFDA	Expenditures	Expenditures	Expenditures
Grantor/Program Title	Number	Expenditures	Expenditures	Expenditures
U.S. Department of Justice:				
Passed-through N.C. Department of Crime Control and Public Safety				
Edward Byrne Memorial Justice Assistance Grant	16.738	11,207	-	-
U.S. Department of Homeland Security				
Passed-through N.C. Dept of Public Safety				
Emergency Management Performance Grants	97.042	38,220	-	-
Homeland Security Grant Program	97.067	1,856	-	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	213,029	-	-
Total Department of Homeland Security		253,105	-	-
U.S. Environmental Protection Agency				
Passed-through N.C. Department of Environmental and Natural Resources Division of Water Infrastructure:				
Drinking Water State Revolving Fund Cluster:				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	343,478	-	-
U.S. Department of Health & Human Services:				
Passed-through N.C. Division of Aging and Adult Services				
Aging Cluster:				
Special Programs for the Aging - Title III, Part B				
Grants for Supportive Services & Senior Centers - Access	93.044	85,320	5,019	-
In Home Services	93.044	8,438	496	-
Special Programs for the Aging - Title III, Part C -				
Congregate Nutrition Services	93.045	62,323	3,666	-
Special Programs for the Aging - Title III, Part C -				
Home Delivered Meals	93.045	52,117	3,066	-
Total Aging Cluster:		208,198	12,247	-
NSIP Supplement	93.053	26,590	-	-
Social Services Block Grant	93.667	12,042	344	-
Total U.S. Department of Aging		246,830	12,591	-
STATE GRANTS:				
N.C. Department of Human and Health Services:				
Division of Social Services:				
Administration:				
County funded Programs	N/A	-	-	440,952
AFDC Incent/Prog Integrity	N/A	-	299	-
Energy Assistance Private Grant	N/A	-	7,409	-
Work First Non-reimbursement	N/A	-	-	708
State Childs Welfare/ CPS/CS LD	N/A	-	43,077	-
Non-Allocating and Non-Reimbursable	N/A	-	-	66,002
Direct Benefit Payments:				
State/County Special Assistance for Adults	N/A	-	687,950	687,950
CWS Adoption Subsidy	N/A	-	287,244	64,759
State Foster Home	N/A	-	43,223	43,223
SFHF Maximization	N/A	-	54,785	54,785
Total Division of Social Services		-	1,123,987	1,358,379

Edgecombe County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2015

Grantor/Pass-Through	Federal			
Grantor/Program Title	CFDA	Federal	State	Local
	Number	Expenditures	Expenditures	Expenditures
N.C. Department of Human and Health Services:				
Division of Public Health				
Women's Health Service Fund	N/A	-	10,523	-
General Aid to Counties	N/A	-	166,735	-
General Communicable Disease Control	N/A	-	7,367	-
Child Health	N/A	-	8,993	-
TB Medical Service	N/A	-	880	-
Tuberculosis	N/A	-	37,629	-
Food and Lodging Fees	N/A	-	5,989	-
Risk Reduction/Health Promotion	N/A	-	2,829	-
Breast and Cervical Cancer Program	N/A	-	5,100	-
School Nurse Funding Initiative	N/A	-	209,692	-
HMHC-Family Planning	N/A	-	7,143	-
Maternal Health (HMHC)	N/A	-	6,926	-
HIV/STD State	N/A	-	400	-
HIV/STD SSBG Aid	N/A	-	100	-
HIV/STD Non-traditional Test Sites (NTS)	N/A	-	60,000	-
Sexually Transmitted Diseases	N/A	-	4,522	-
Total Division of Public Health		-	534,828	-
Division of Aging and Adult Services:				
Passed-through Upper Coastal Plains Council of Government:				
Access Services	N/A	-	35,682	-
Home Delivered Meals	N/A	-	55,694	-
Caregiver Match	N/A	-	703	-
In-Home Services	N/A	-	92,151	-
Total Division of Aging and Adult Services		-	184,230	-
Total N.C. Department of Human and Health Services		-	1,843,045	1,358,379
N.C. Department of Crime Control and Public Safety:				
State Inspections Grant	N/A	-	1,104	-
Viper Grant	N/A	-	58,588	-
Tasers - Project 010706	N/A	-	20,000	-
CBA Youth Services	N/A	-	147,368	-
Total N.C. Department of Crime Control and Public Safety		-	227,060	-
N.C. Department of Transportation:				
Rural Operating Assistance Program (ROAP) Cluster:				
ROAP Work First	N/A	-	31,129	-
ROAP Rural General Public	N/A	-	57,185	-
ROAP Elderly and Handicapped Transportation Assistance	N/A	-	63,817	-
Total N.C. Department of Transportation		-	152,131	-
N.C. Department of Environment and Natural Resources				
Soil Conservation	N/A	-	11,274	-
N.C. Department of Juvenile Justice & Delinquency Prevention:				
Youth Services - Juvenile Crime Prevention and Control	N/A	-	68,933	-

Edgecombe County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2015

Grantor/Pass-Through	Federal	Federal	State	Local
Grantor/Program Title	CFDA	Expenditures	Expenditures	Expenditures
Grantor/Program Title	Number	Expenditures	Expenditures	Expenditures
N.C. Housing Finance Agency:				
Urgent Repair Housing Projects	N/A	-	29,010	-
Single Family Rehabilitation Program	N/A	-	130,106	-
Total N.C. Housing Finance Agency		-	159,116	-
N.C. Department of Commerce				
Rural Economic Development Grant - Building Reuse Program	N/A	-	400,000	-
Rural Center - Project#2011-055-40101-112	N/A	-	396,558	-
Total N.C. Department of Commerce		-	796,558	-
Golden Leaf Foundation				
Golden Leaf Foundation Grant	N/A	-	1,500,000	-
Total Financial Assistance		\$ 90,082,067	\$ 46,606,613	\$ 5,100,046

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

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and State grant activity of Edgecombe County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2015. The information in this SEFSA is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Because the SEFSA presents only a selected portion of the operations of Edgecombe County, it is not intended to and does not present the financial position, changes in net position or cash flows of Edgecombe County.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* or cost principles contained in the Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursements. Pass-through entity identifying numbers are presented where available.

Note 3: Cluster of Programs

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

Note 4: Loans Outstanding

Edgecombe County had the following loan balances outstanding at June 30, 2015. The loan made during the year are included in the SEFSA. in the federal expenditures presented in the schedule. Balances and transactions related to these programs are included in the County's basic financial statements.

Drinking Water State Revolving Fund Loan (CFDA # 66.468) \$343,478

Water and Waste Disposal Systems for Rural Communities Loan (CFDA # 10.770) \$393,000

Water and Waste Disposal Systems for Rural Communities Loan (CFDA # 10.770) \$675,000

Bond Anticipation Note - matures March 2016, will be funded by USDA loan