



# STATE OF NORTH CAROLINA

## FINANCIAL STATEMENT AUDIT REPORT OF SAMPSON COUNTY PARTNERSHIP FOR CHILDREN

CLINTON, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2004

OFFICE OF THE STATE AUDITOR

LESLIE W. MERRITT, JR., CPA, CFP

STATE AUDITOR

**FINANCIAL STATEMENT AUDIT REPORT OF  
SAMPSON COUNTY PARTNERSHIP FOR CHILDREN**

**CLINTON, NORTH CAROLINA**

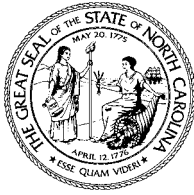
**FOR THE YEAR ENDED JUNE 30, 2004**

**BOARD OF DIRECTORS**

**CAROLYN ROTH, BOARD CHAIR**

**ADMINISTRATIVE OFFICER**

**VICTORIA BYRD, EXECUTIVE DIRECTOR**



STATE OF NORTH CAROLINA  
Office of the State Auditor

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**AUDITOR'S TRANSMITTAL**

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The Honorable Michael F. Easley, Governor  
The General Assembly of North Carolina  
Board of Directors, Sampson County Partnership for Children

This report presents the results of our financial statement audit of the Sampson County Partnership for Children (Sampson Partnership) for the year ended June 30, 2004. Our audit was made by authority of Article 5A of Chapter 147 of the *North Carolina General Statutes*.

The accounts and operations of the Sampson Partnership were subject to audit procedures as we considered necessary for us to report on the accompanying financial statements and supplementary information. The audit procedures were conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States.

The audit of the Sampson Partnership was made in conjunction with the Early Childhood Initiatives (Smart Start) program authorized by General Statutes 143B-168.10-.16. These statutes created The North Carolina Partnership for Children, Inc. and required the implementation of local demonstration projects (local partnerships). The Sampson Partnership is one of these local partnerships. As such, the Sampson Partnership is a private nonprofit 501(c)(3) organization and is required by General Statute 143B-168.14(b) to have a financial and compliance audit conducted by the Office of the State Auditor.

The purpose of this report is to present the results of our audit on the accompanying financial statements. A summary of our reporting objectives and audit results are:

- 1. Objective** – To express an opinion on the accompanying financial statements.

**Results** – The accompanying financial statements present fairly, in all material respects, the amounts and disclosures made in accordance with the modified cash basis of accounting, a comprehensive basis of accounting other than generally accepted accounting principles.

## AUDITOR'S TRANSMITTAL (CONCLUDED)

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2. **Objective** – To present significant deficiencies, if any, in internal control over financial reporting which could adversely affect the Sampson Partnership's ability to record, process, summarize, and report financial data in the financial statements and present instances of noncompliance or other matters, if any, with laws, regulations, contracts, or grant agreements.

**Results** – Our tests disclosed no significant deficiencies in the internal control over financial reporting and no instances of noncompliance or other matters that require disclosure herein under *Government Auditing Standards*.

*North Carolina General Statutes* require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

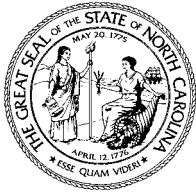
*Leslie W. Merritt, Jr.*

Leslie W. Merritt, Jr., CPA, CFP  
State Auditor

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STATE OF NORTH CAROLINA  
**Office of the State Auditor**

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**INDEPENDENT AUDITOR'S REPORT**

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Board of Directors  
Sampson County Partnership for Children  
Clinton, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Sampson County Partnership for Children (Sampson Partnership) as of June 30, 2004, and the related Statement of Functional Expenditures – Modified Cash Basis for the year then ended. These financial statements are the responsibility of the Sampson Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the accompanying financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Sampson County Partnership for Children as of June 30, 2004, and the results of its operations arising from modified cash basis transactions for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2005, on our consideration of the Sampson Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations,

## **INDEPENDENT AUDITOR'S REPORT (CONCLUDED)**

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contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sampson County Partnership for Children's basic financial statements. The information in Schedules 1, 3, 4, and 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. These Schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information in Schedule 2 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on Schedule 2.

*Leslie W. Merritt, Jr.*

Leslie W. Merritt, Jr., CPA, CFP  
State Auditor

June 8, 2005

**Sampson County Partnership for Children**  
**Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis**  
**For the Year Ended June 30, 2004**

**Exhibit A**

	Unrestricted Funds		Temporarily Restricted Funds	Total Funds
	Smart Start Fund	Other Funds		
<b>Receipts:</b>				
State Awards (less refunds of \$37,327)	\$ 659,708	\$ 484,545	\$ 0	\$ 1,144,253
Federal Awards		9,219	2,694	11,913
Private Contributions		3,453		3,453
Sales Tax Refunds		10,205		10,205
Other Receipts		2,603		2,603
<b>Total Receipts</b>	<b>659,708</b>	<b>510,025</b>	<b>2,694</b>	<b>1,172,427</b>
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions		6,533	(6,533)	
	<b>659,708</b>	<b>516,558</b>	<b>(3,839)</b>	<b>1,172,427</b>
<b>Expenditures:</b>				
Programs:				
Child Care and Education Quality	338,164	19,554		357,718
Family Support	106,220	1,639		107,859
Health and Safety	51,045	1,318		52,363
More at Four	17,990	456,543		474,533
Support:				
Management and General	116,844	16,365		133,209
Program Coordination	13,983			13,983
Program Evaluation	29,202			29,202
Other:				
Refund of Prior Year Grant		4,450		4,450
Sales Tax Paid		7,820		7,820
<b>Total Expenditures</b>	<b>673,448</b>	<b>507,689</b>		<b>1,181,137</b>
<b>Excess of Receipts Over Expenditures</b>	<b>(13,740)</b>	<b>8,869</b>	<b>(3,839)</b>	<b>(8,710)</b>
<b>Net Assets at Beginning of Year</b>	<b>36,200</b>	<b>18,931</b>	<b>6,533</b>	<b>61,664</b>
<b>Net Assets at End of Year</b>	<b>\$ 22,460</b>	<b>\$ 27,800</b>	<b>\$ 2,694</b>	<b>\$ 52,954</b>
<b>Net Assets Consisted of:</b>				
Cash and Cash Equivalents	\$ 12,267	\$ 28,152	\$ 2,694	\$ 43,113
Refunds Due From Contractors	10,296			10,296
	22,563	28,152	2,694	53,409
Less: Funds Held for Others	103	352		455
	<b>\$ 22,460</b>	<b>\$ 27,800</b>	<b>\$ 2,694</b>	<b>\$ 52,954</b>

The accompanying notes to the financial statements are an integral part of this statement.



***Sampson County Partnership for Children  
Statement of Functional Expenditures - Modified Cash Basis  
For the Year Ended June 30, 2004***

***Exhibit B***

	<u>Total</u>	<u>Personnel</u>	<u>Contracted Services</u>	<u>Supplies and Materials</u>	<u>Other Operating Expenditures</u>	<u>Fixed Charges and Other Expenditures</u>	<u>Property and Equipment Outlay</u>	<u>Services/ Contracts/ Grants</u>
<b>Smart Start Fund:</b>								
<b>Programs:</b>								
Child Care and Education Quality	\$ 338,164	\$ 174,952	\$ 17,590	\$ 25,324	\$ 19,319	\$ 30,823	\$ 17,854	\$ 52,302
Family Support	106,220	49,048	9,239	7,666	22,024	5,034	13,209	
Health and Safety	51,045	17,570		1,549	1,643	3	3,108	27,172
More at Four	17,990	13,019	4,249	500	222			
	<u>513,419</u>	<u>254,589</u>	<u>31,078</u>	<u>35,039</u>	<u>43,208</u>	<u>35,860</u>	<u>34,171</u>	<u>79,474</u>
<b>Support:</b>								
Management and General	116,844	81,083	3,251	4,097	15,735	11,540	1,138	
Program Coordination	13,983		11,638		2,345			
Program Evaluation	29,202		28,200		1,002			
	<u>160,029</u>	<u>81,083</u>	<u>43,089</u>	<u>4,097</u>	<u>19,082</u>	<u>11,540</u>	<u>1,138</u>	
<b>Total Smart Start Fund Expenditures</b>	<u>\$ 673,448</u>	<u>\$ 335,672</u>	<u>\$ 74,167</u>	<u>\$ 39,136</u>	<u>\$ 62,290</u>	<u>\$ 47,400</u>	<u>\$ 35,309</u>	<u>\$ 79,474</u>
<b>Other Funds:</b>								
<b>Programs:</b>								
Child Care and Education Quality	\$ 19,554	\$ 6,137	\$ 855	\$ 2,891	\$ 4,908	\$ 120	\$ 1,460	\$ 3,183
Family Support	1,639	1,639						
Health and Safety	1,318							1,318
More at Four	456,543	23,011	1,555	20,228	5,712	5,355	786	399,896
	<u>479,054</u>	<u>30,787</u>	<u>2,410</u>	<u>23,119</u>	<u>10,620</u>	<u>5,475</u>	<u>2,246</u>	<u>404,397</u>
<b>Support:</b>								
Management and General	16,365	1,982	10,032	2,597	1,510	244		
<b>Other:</b>								
Refund of Prior Year Grant	4,450					4,450		
Sales Tax Paid	7,820			7,820				
	<u>12,270</u>			<u>7,820</u>		<u>4,450</u>		
<b>Total Other Funds Expenditures</b>	<u>\$ 507,689</u>	<u>\$ 32,769</u>	<u>\$ 12,442</u>	<u>\$ 33,536</u>	<u>\$ 12,130</u>	<u>\$ 10,169</u>	<u>\$ 2,246</u>	<u>\$ 404,397</u>

The accompanying notes to the financial statements are an integral part of this statement.

**SAMPSON COUNTY PARTNERSHIP FOR CHILDREN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

- A. Organization and Purpose** - The Sampson County Partnership for Children (Sampson Partnership) is a legally separate nonprofit organization incorporated on March 25, 1998. The Sampson Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Sampson Partnership is tax-exempt as an organization described in Section 501(c)(3) of the Internal Revenue Code.
- B. Basis of Presentation** - The accompanying financial statements present all funds for which the Sampson Partnership's Board of Directors is responsible. Pursuant to the provisions of Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*, the accompanying financial statements present information according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by this Statement, temporarily restricted contributions received and expended in the same year are reported as unrestricted receipts rather than as temporarily restricted receipts.

Contributions that are temporarily restricted and not expended within the year received are reported as an increase in temporarily restricted net assets. When the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Receipts, Expenditures, and Net Assets as net assets released from restrictions.

The Sampson Partnership did not have any permanently restricted net assets at June 30, 2004.

- C. Basis of Accounting** - The accompanying financial statements were prepared on the modified cash basis of accounting. This basis differs from accounting principles generally accepted in the United States of America primarily because it recognizes long lived assets and other costs which benefit more than one period as expended in the year purchased; it recognizes revenue when received rather than when earned; and it recognizes expenditures when paid rather than when incurred.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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However, unexpended advances to contractors that revert back to the State of North Carolina are recognized as a reduction to expenditures and an increase to net assets. In addition, amounts withheld from employee paychecks or other amounts received in an agency capacity are recorded as funds held for others.

- D. Cash and Cash Equivalents** - This classification appears on the Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis and includes all demand and savings accounts and certificate of deposits or short-term investments with an original maturity of three months or less.
- E. Refunds Due From Contractors** - Refunds due from contractors represent the unexpended amount of advances to contractors at year-end that are to be refunded back to the State. As recoveries are collected, the receivable balance is reduced. Payments to the State for the recovered advances are recorded as a reduction to the State awards balance.
- F. Funds Held For Others** - Funds held for others includes amounts received that are fiduciary in nature in which the Sampson Partnership acts in an agency capacity. For the year ended, the Sampson Partnership was holding amounts withheld from employee paychecks for distribution to taxing authorities.
- G. Property and Equipment** - Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year occurred. However, Sampson Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Sampson Partnership has a policy to track purchases of property and equipment items with an individual cost of \$500 or more and an estimated useful life greater than one year. Such items are valued at their original purchase price, which may be different from their valuation as of June 30, 2004. Donated items are recorded at estimated fair market value at the date of donation.
- H. Compensated Absences** - As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid leave that would be due to employees upon termination is reported as a commitment in Note 9.
- I. Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting used by the Sampson Partnership requires management to make estimates and assumptions that

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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affect certain reported amounts and disclosures (such as allocation of joint costs); accordingly, actual results could differ from those estimates. It is management's belief that these estimates are reasonable and fair.

### NOTE 2 - DEPOSITS

All funds of the Sampson Partnership are deposited with a commercial bank and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Deposits over this amount subjects the Sampson Partnership to a concentration of credit risk. At June 30, 2004, the Sampson Partnership's bank deposits in excess of the FDIC insured limit was \$44,874.

### NOTE 3 - FUNDING FROM GRANT AWARDS

**Smart Start Program** - The Sampson Partnership's major source of revenue and support is from the State of North Carolina based on cost-reimbursement contracts with The North Carolina Partnership for Children, Inc. (NCPC) for the Smart Start Program. A significant reduction in the level of funding from the State could have an adverse effect on the operations of the Sampson Partnership and represents a concentration of credit risk as to the generation of revenue.

Associated with these contracts, the Sampson Partnership is responsible for developing a comprehensive, collaborative, long-range plan of services to children and families for the service-delivery area. During the year, the North Carolina Department of Health and Human Services (DHHS) entered into contracts with and made payments to service providers selected by the Sampson Partnership. These service provider contracts are not reflected on the accompanying financial statements. However, a summary of the service provider contracts entered into by DHHS is presented on Schedule 2 accompanying the financial statements.

The Sampson Partnership was awarded and has received \$697,014 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Sampson Partnership has returned \$22,419 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2004.

The Sampson Partnership expects to receive continued funding through new Smart Start contracts with the State.

**More at Four** - The Sampson Partnership also received revenue and support from the State of North Carolina for the More at Four Program. The Sampson Partnership was awarded \$507,500 and received \$472,566 under a current year

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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cost-reimbursement contract. The Sampson Partnership expects to receive continued funding through new More at Four contracts with the State.

### NOTE 4 - RELATED PARTY TRANSACTIONS

**Service Provider Contracts with Board Member Organizations** - The board members of the Sampson Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Sampson Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Sampson Partnership entered into contracts with board member organizations for program activities as identified on Schedule 1 accompanying the financial statements. In addition, Schedule 2 identifies contracts entered into by DHHS with board member organizations for activities funded by the Sampson Partnership's Smart Start Allocation.

### NOTE 5 - FUNCTIONAL EXPENDITURES

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis. Also, the Statement of Functional Expenditures – Modified Cash Basis, provides detail of the functional costs by their natural classification. Following are the services associated with the functional categories presented in the accompanying financial statements and the methods utilized to allocate joint cost:

#### A. Program Functions

**Child Care and Education Quality** - Used to account for service activities including quality enhancement grants for upgrades, child care resource and referral, professional development, and child care needs and resources assessments.

**Family Support** - Used to account for service activities including ongoing parenting education and community outreach information and resources.

**Health and Safety** - Used to account for service activities including comprehensive screenings and child care health consultants.

**More at Four** - Used to account for development and implementation of More at Four prekindergarten program for at-risk four-year-olds who are at risk of failure in kindergarten. The goal is to provide quality prekindergarten services in order to enhance kindergarten readiness.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### B. Support Functions

**Management and General** - Expenditures that are not identifiable with a single program or fund-raising activity but are indispensable to the conduct of those activities and to an organization's existence, including expenditures for the overall direction of the organization, its general board activities, business management, general recordkeeping, budgeting, and related purposes.

**Program Coordination** - Expenditures that are incurred to coordinate the policies, procedures, and daily practices of service delivery. Also, costs associated with monitoring in-house and direct service provider activities.

**Program Evaluation** - Expenditures that are incurred to monitor the performance of service providers as to the delivery of services and adherence to the specific terms and conditions of the contracts.

### C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

**Salaries and Benefits** - Direct allocation based on employee time reports.

**Other Costs** - Other costs including occupancy cost (rent, utilities and maintenance), supplies and materials, and communication costs (telephone and printing) were allocated based on utilization data.

### NOTE 6 - OPERATING LEASE OBLIGATIONS

Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2004:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2005	\$ 40,572
2006	21,612
2007	2,652
2008	1,989
Total Minimum Lease Payments	<u>\$ 66,825</u>

Rental expense for all operating leases during the year was \$41,469.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### NOTE 7 - PENSION PLAN

**Retirement Plans** - The Sampson Partnership has a SIMPLE - IRA Plan covering all full-time employees. Each full-time employee of the Sampson Partnership has an option to participate in the Plan. An Individual Retirement Account is provided to the employee through an outside financial institution. The Sampson Partnership contributed 10% of gross wages for the year ended June 30, 2004; however, there were no employee contributions for the year. The Sampson Partnership does not own the accounts nor is liable for any other cost other than the required contribution. The Sampson Partnership contributed \$22,269 for pension benefits during the year.

### NOTE 8 - RISK MANAGEMENT

The Sampson Partnership is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The Sampson Partnership manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Torts, errors and omissions, health and life	Purchased commercial insurance	None
Workers Compensation – Employee injuries	Purchased commercial insurance	None
Physical property loss and natural disasters	Purchased commercial insurance	None

Management believes such coverage is sufficient to preclude any significant losses to the Sampson Partnership. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

### NOTE 9 - COMMITMENTS AND CONTINGENCIES

**Compensated Absences** - As a result of the Sampson Partnership's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation only; sick leave does not vest) and any employer-related costs earned and unpaid, are not reflected in the financial statements. The compensated absences commitment for vacation leave at June 30, 2004, is \$10,168. No funds or reservation of net assets has been made for this commitment.

**NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)**

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**NOTE 10 - RESTRICTIONS ON NET ASSETS**

**A. Temporarily Restricted Net Assets** - Temporarily restricted net assets at June 30, 2004, are available for the following purposes:

<u>Purpose</u>	<u>Amount</u>
Family Caregiver Support Program	<u>\$ 2,694</u>

**B. Net Assets Released From Donor Restrictions** - Net assets were released from donor restrictions during the fiscal year ended June 30, 2004, by incurring expenditures satisfying the restricted purposes as follows:

<u>Purpose</u>	<u>Amount</u>
Family Caregiver Support Program	<u>\$ 6,533</u>



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***Sampson County Partnership for Children  
Schedule of Contract and Grant Expenditures - Modified Cash Basis  
For the Year Ended June 30, 2004***

***Schedule 1***

<b>Organization Name</b>	<b>Smart Start Fund</b>		<b>Other Funds</b>	
	<b>Amount Advanced</b>	<b>Refund Due</b>	<b>Amount Advanced</b>	<b>Refund Due</b>
Children's Developmental Services	\$ 13,437	\$ 0	\$ 0	\$ 0
Clinton City Schools	*		157,500	
Countryside Daycare			61,446	
Sampson Community College	* 62,598	(10,296)	3,183	
Sampson County Health Department	* 13,735		1,318	
Sampson County Schools	*		118,300	
Wonder Years			62,650	
	<u>\$ 89,770</u>	<u>\$ (10,296)</u>	<u>\$ 404,397</u>	<u>\$ 0</u>

\* These organizations are represented on the Partnership's Board as described in Note 4 - Service Provider Contracts with Board Member Organizations.

***Sampson County Partnership for Children  
Schedule of State Level Service Provider Contracts  
For the Year Ended June 30, 2004***

***Schedule 2***

<b>Organization Name</b>	<b>DHHS Contracts</b>
Child Care Services Association - WAGE\$ Program	\$ 102,732
Sampson County Department of Social Services	* 407,214
	<u>\$ 509,946</u>

\* These organizations are represented on the Partnership's Board as described in Note 4 - Service Provider Contracts with Board Member Organizations.

The information on this schedule provides a listing of service provider contracts entered into by the North Carolina Department of Health and Human Services (DHHS) as described in Note 3 - Funding from Grant Awards.

**Sampson County Partnership for Children**  
**Schedule of Federal and State Awards - Modified Cash Basis**  
**For the Year Ended June 30, 2004**

**Schedule 3**

Federal/State Grantor/Pass-through Grantor/Program	Federal CFDA Number	Contract #	Receipts	Expenditures
<b>Federal Awards:</b>				
United States Department of Health and Human Services Pass-through from the North Carolina Department of Health and Human Services - Division of Aging Pass-through from the Mid-Carolina Area Agency on Aging National Family Caregiver Support Program	93.052	N/A	\$ 7,299	\$ 11,138
United States Department of Health and Human Services Pass-through from the North Carolina Department of Health and Human Services - Division of Child Development Pass-through from the Child Care Directions, Inc. Child Care Resource and Referral	93.575	#6240-C	4,614	6,103
<b>Total Federal Awards</b>			<u>11,913</u>	<u>17,241</u>
<b>State Awards:</b>				
North Carolina Department of Health and Human Services Division of Child Development Pass-through from the North Carolina Partnership for Children, Inc.				
Early Childhood Initiatives Program (Prior Year)		N/A	(37,306)	(2,099)
Early Childhood Initiatives Program (Current Year)	*	N/A	697,014	675,547
Multi-County Accounting and Contracting Grant (Prior Year)		N/A	(21)	
Multi-County Accounting and Contracting Grant (Current Year)		N/A	12,000	12,000
North Carolina Department of Health and Human Services More at Four Pre-Kindergarten Program (Prior Year)		#2090003320		9,352
More at Four Pre-Kindergarten Program (Current Year)	*	#2090003692	472,566	447,191
<b>Total State Awards</b>			<u>1,144,253</u>	<u>1,141,991</u>
<b>Total Federal and State Awards</b>			<u>\$ 1,156,166</u>	<u>\$ 1,159,232</u>

\* Programs with compliance requirements that have a direct and material effect on the financial statements.

Note: The More at Four Pre-Kindergarten Program is contracted jointly by the North Carolina Department of Health and Human Services and the Office of the Governor. The allocations for the More at Four program are included in the budget for the North Carolina Department of Health and Human Services; therefore, the above schedule identifies that agency as the State Grantor. The Office of the Governor is responsible for oversight of the More at Four Program.

***Sampson County Partnership for Children  
Schedule of Property and Equipment - Modified Cash Basis  
For the Year Ended June 30, 2004***

***Schedule 4***

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Furniture and Noncomputer Equipment	\$ 45,733
Computer Equipment/Printers	<u>43,564</u>
Total Property and Equipment	<u><u>\$ 89,297</u></u>

Note: The information on this schedule provides a summary of property and equipment with acquisition or donated cost of \$500 or more which were held by the Partnership at year end. The valuations represent historical cost. On the modified basis of accounting, these items are expensed in the year of purchase.

***Sampson County Partnership for Children  
Schedule of Qualifying Match (Non-GAAP)  
For the Year Ended June 30, 2004***

***Schedule 5***

***Match Provided at the Partnership Level:***

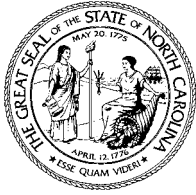
Cash	\$	3,453
In-Kind Goods and Services		<u>37,747</u>
	\$	<u><u>41,200</u></u>

***Match Provided at the Contractor Level:***

Cash	\$	<u><u>100,322</u></u>
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Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 2003-284, Section 10.38(c). The North Carolina Partnership for Children, Inc. and all local partnerships are required to match the total amount budgeted for the Smart Start Program in each fiscal year. The match is comprised of both cash and in-kind amounts. Only in-kind contributions that are verifiable, quantifiable, and related to the Smart Start Program can be applied to the in-kind match requirement, including volunteer services. The law allows for volunteer services to be valued for match purposes, a concept that deviates from generally accepted accounting principles. This schedule identifies those amounts allowable for this partnership in meeting the statewide match requirement.

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STATE OF NORTH CAROLINA  
Office of the State Auditor

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**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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Board of Directors  
Sampson County Partnership for Children  
Clinton, North Carolina

We have audited the financial statements of the Sampson County Partnership for Children (Sampson Partnership) as of and for the year ended June 30, 2004, and have issued our report thereon dated June 8, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Sampson Partnership's internal control over financial reporting in order to determine our auditing procedures for the purposes 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 weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sampson Partnership's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with



**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS (CONCLUDED)**

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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 audit committee, management of the Sampson Partnership, The North Carolina Partnership for Children, Inc., the Governor, and the General Assembly and is not intended to be and should not be used by anyone other than these specified parties.

*Leslie W. Merritt, Jr.*

Leslie W. Merritt, Jr., CPA, CFP  
State Auditor

June 8, 2005

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In accordance with General Statutes 147-64.5 and 147-64.6(c)(14), copies of this report have been distributed to the public officials listed below. Additional copies are provided to other legislators, state officials, the press, and the general public upon request.

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State Treasurer  
Attorney General  
State Budget Officer  
State Controller  
Secretary, Department of Health and Human Services  
Chairman, Board of Directors  
North Carolina Partnership for Children, Inc.  
Executive Director  
North Carolina Partnership for Children, Inc.

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Director, Fiscal Research Division

August 23, 2005

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