

Financial Statement Audit Report of
Ashe County Partnership for Children
Jefferson, North Carolina
For the Year Ended June 30, 2005

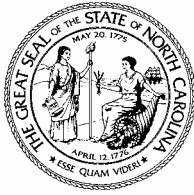
Performed Under Contract With the
North Carolina Office of the State Auditor

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

Financial Statement Audit Report of
Ashe County Partnership for Children
Jefferson, North Carolina
For the Year Ended June 30, 2005

Board of Directors
David Blackburn, Chair

Administrative Officer
Carol Coulter, Executive Director



STATE OF NORTH CAROLINA
Office of the State Auditor

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

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet
<http://www.ncauditor.net>

AUDITOR'S TRANSMITTAL

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

This report presents the results of the financial statement audit of Ashe County Partnership for Children for the year ended June 30, 2005. Winston, Williams, Creech, Evans and Company, LLP performed the audit under contract with the Office of the State Auditor, and their report is submitted herewith.

The audit of the Ashe County Partnership for Children was made in conjunction with the Early Childhood Initiatives (Smart Start) program authorized by G.S. 143B-168.10-16. This statute created the North Carolina Partnership for Children, Inc., and required the implementation of local partnerships. The Ashe County Partnership for Children is one of these local partnerships. As such, the Ashe County Partnership for Children is a private nonprofit 501(c)(3) organization and is required by G.S. 143B-168.14 to have an annual financial and compliance audit conducted by the State Auditor. The State Auditor's authority to perform or coordinate all audit functions for state government is set forth in Article 5 of Chapter 147 of the *North Carolina General Statutes*.

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

Leslie W. Merritt, Jr.

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

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR’S REPORT	1
FINANCIAL STATEMENTS	
EXHIBITS	
A – Statement of Receipts, Expenditures, and Net Assets – Modified Cash	3
B – Statement of Functional Expenditures – Modified Cash Basis	4
Notes to the Financial Statements	5
SUPPLEMENTARY SCHEDULES	
1 Schedule of Contract and Grant Expenditures – Modified Cash Basis	15
2 Schedule of State Level Service Provider Contracts	16
3 Schedule of Federal and State Awards – Modified Cash Basis	17
4 Schedule of Property and Equipment	18
5 Schedule of Qualifying Match (Non-GAAP)	19
Independent Auditor’s Report of Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with <i>Government Auditing Standards</i>	21
Independent Auditor’s Report of Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	23
Schedule of Findings and Questioned Costs	25
Summary Schedule of Prior Year Audit Findings	29
Corrective Action Plan	30
Ordering Information	31

Winston, Williams, Creech, Evans & Company, LLP

Certified Public Accountants



The CPA. Never Underestimate The Value.™

James P. Winston II, CPA
Gary L. Williams, CPA
Leonard R. Creech, Jr. CPA
Carleen P. Evans, CPA

Jennifer T. Reese, CPA
Elizabeth H. Jackson, CPA
Traig B. Neal, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Ashe County Partnership for Children
Jefferson, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Ashe County Partnership for Children (Ashe Partnership) as of June 30, 2005, and the related Statement of Functional Expenditures – Modified Cash Basis for the year then ended. These financial statements are the responsibility of the Ashe Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

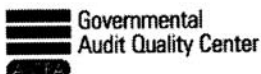
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 Ashe County Partnership for Children as of June 30, 2005, 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 a report dated March 3, 2006, on our consideration of the Ashe Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts

102 W. Spring Street P.O. Box 1366 Oxford, NC 27565 (919) 693-5196 fax (919) 693-7614
12339-108 Wake Union Church Road Wake Forest, NC 27587 (919) 556-0282 Fax (919) 556-0349



www.wwcecpa.com



INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with the independent auditor's report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements that collectively comprise the Ashe 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, is 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 to the audit of the basic financial statements and, accordingly, we express no opinion on Schedule 2.

Winston, Williams, Creech, Evans and Company, LLP

Winston, Williams, Creech, Evans and Company, LLP
Certified Public Accountants
March 3, 2006

***Ashe County Partnership for Children
Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis
For the Year Ended June 30, 2005***

Exhibit A

	Unrestricted Funds		Temporarily Restricted Funds	Permanently Restricted Funds	Total Funds
	Smart Start Fund	Other Funds			
Receipts:					
State Awards (less refunds of \$5,102)	\$ 449,350	\$ 78,228	\$ 0	\$ 0	\$ 527,578
Federal Awards	0	256,434	0	0	256,434
Local Awards	0	50,770	8,480	0	59,250
Private Contributions	0	64,549	67,286	110	131,945
Special Fund Raising Events	0	9,716	12,709	0	22,425
Interest and Investment Earnings	0	1,944	1,084	0	3,028
Sales Tax Refunds	0	5,314	0	0	5,314
Other Receipts	0	230,557	0	0	230,557
Total Receipts	449,350	697,512	89,559	110	1,236,531
Net Assets Released from Restrictions:					
Satisfaction of Program Restrictions	0	82,088	(82,088)	0	0
Expiration of Time Restrictions					0
	449,350	779,600	7,471	110	1,236,531
Expenditures:					
Programs:					
Child Care and Education Affordability	38,830	0	0	0	38,830
Child Care and Education Quality	190,632	34,712	0	0	225,344
Family Support	65,512	194,232	0	0	259,744
Health and Safety	36,871	0	0	0	36,871
Domestic Violence	0	201,907			201,907
Family Central Operations	0	217,417			217,417
Support:					
Fund Raising	0	5,491	0	0	5,491
Management and General	115,206	66,703	0	0	181,909
Program Coordination	6,139	977	0	0	7,116
Other:					
Sales Tax Paid	0	5,320	0	0	5,320
Total Expenditures	453,190	726,759	0	0	1,179,949
Excess of Receipts Over Expenditures	(3,840)	52,841	7,471	110	56,582
Net Assets at Beginning of Year	3,840	(46,273)	82,685	7,526	47,778
Net Assets at End of Year	\$ 0	\$ 6,568	\$ 90,156	\$ 7,636	\$ 104,360
Net Assets Consisted of:					
Cash and Cash Equivalents	\$ 1,008	\$ 7,887	\$ 88,475	\$ 0	\$ 97,370
Benefit Interest in Community Foundation	0	0	1,681	7,636	9,317
Refunds Due From Contractors	129	0	0	0	129
	1,137	7,887	90,156	7,636	106,816
Less: Due to the Primary Government	(851)	0	0	0	(851)
Funds Held for Others	(286)	(1,319)	0	0	(1,605)
	\$ 0	\$ 6,568	\$ 90,156	\$ 7,636	\$ 104,360

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

***Ashe County Partnership for Children
Statement of Functional Expenditures - Modified Cash Basis
For the Year Ended June 30, 2005***

Exhibit B

	Total	Personnel	Contracted Services	Supplies and Materials	Other Operating Expenditures	Fixed Charges and Other Expenditures	Property and Equipment Outlay	Services/Contracts/Grants	Participant Training Expenditures
Smart Start Fund:									
Programs:									
Child Care and Education Affordability	\$ 38,830	\$ 38,132	\$ 0	\$ 0	\$ 383	\$ 0	\$ 315	\$ 0	\$ 0
Child Care and Education Quality	190,632	66,327	1,515	8,415	11,537	9,984	1,064	89,541	2,249
Family Support	65,512	43,805	0	9,092	357	12,258	0	0	0
Health and Safety	36,871	0	0	0	0	0	0	36,871	0
	<u>331,845</u>	<u>148,264</u>	<u>1,515</u>	<u>17,507</u>	<u>12,277</u>	<u>22,242</u>	<u>1,379</u>	<u>126,412</u>	<u>2,249</u>
Support:									
Management and General	115,206	82,963	2,711	3,341	10,614	12,169	3,408	0	0
Program Coordination	6,139	5,842	0	198	99	0	0	0	0
	<u>121,345</u>	<u>88,805</u>	<u>2,711</u>	<u>3,539</u>	<u>10,713</u>	<u>12,169</u>	<u>3,408</u>	<u>0</u>	<u>0</u>
Other:									
Sales Tax Paid	0	0	0	0	0	0	0	0	0
Total Smart Start Fund Expenditures	<u>\$ 453,190</u>	<u>\$ 237,069</u>	<u>\$ 4,226</u>	<u>\$ 21,046</u>	<u>\$ 22,990</u>	<u>\$ 34,411</u>	<u>\$ 4,787</u>	<u>\$ 126,412</u>	<u>\$ 2,249</u>
Other Funds:									
Programs:									
Child Care and Education Quality	\$ 34,712	\$ 32,457	\$ 0	\$ 1,422	\$ 808	\$ 25	\$ 0	\$ 0	\$ 0
Family Support	194,232	151,558	1,100	6,675	10,382	16,415	8,102	0	0
Domestic Violence	201,907	155,197	2,916	4,293	12,562	19,196	7,743	0	0
Family Central Operations	217,417	37,629	0	2,783	66,789	3,107	107,109	0	0
	<u>648,268</u>	<u>376,841</u>	<u>4,016</u>	<u>15,173</u>	<u>90,541</u>	<u>38,743</u>	<u>122,954</u>	<u>0</u>	<u>0</u>
Support:									
Fund Raising	5,491	0	0	0	5,491	0	0	0	0
Management and General	66,703	52,978	2,430	885	2,707	2,677	5,026	0	0
Program Coordination	977	977	0	0	0	0	0	0	0
	<u>73,171</u>	<u>53,955</u>	<u>2,430</u>	<u>885</u>	<u>8,198</u>	<u>2,677</u>	<u>5,026</u>	<u>0</u>	<u>0</u>
Other:									
Sales Tax Paid	5,320	0	0	5,320	0	0	0	0	0
	<u>5,320</u>	<u>0</u>	<u>0</u>	<u>5,320</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Funds Expenditures	<u>\$ 726,759</u>	<u>\$ 430,796</u>	<u>\$ 6,446</u>	<u>\$ 21,378</u>	<u>\$ 98,739</u>	<u>\$ 41,420</u>	<u>\$ 127,980</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

ASHE COUNTY PARTNERSHIP FOR CHILDREN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose - The Ashe County Partnership for Children (Ashe Partnership) is a legally separate nonprofit organization incorporated on January 17, 1995. The Ashe Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Ashe 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 Ashe 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.

Permanently restricted net assets include gifts and contributions that are limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by the actions of the Ashe Partnership. The net assets are invested in perpetuity with only the income from such investments available for program operations.

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)

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. In addition, Smart Start funds advanced to the local Partnership that are unexpended and unearned at year-end are recorded as a Due to the Primary Government.

- 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. Investments** – This classification consists of funds invested in an endowment fund with the North Carolina Community Foundation, Inc., as reported in Note 12.
- F. 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.
- G. Due to the Primary Government** - The funding provided by the State of North Carolina for the Smart Start program is funded on a cost reimbursement basis. The money is earned to the extent of allowable costs incurred. Any unexpended funds as of June 30 are required to be reverted to The North Carolina Partnership for Children, Inc., to be returned to the State of North Carolina.
- H. Funds Held For Others** - Funds held for others includes amounts received that are fiduciary in nature in which the Ashe Partnership acts in an agency capacity. For the year ended, the Ashe Partnership was holding amounts withheld from employee paychecks for individual insurance premiums.
- I. Property and Equipment** – Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year occurred. However, Ashe Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Ashe 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

different from their valuation as of June 30, 2005. Donated items are recorded at estimated fair market value at the date of donation.

J. 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 10.

K. Use of Estimates - The preparation of financial statements in conformity with the other comprehensive basis of accounting used by the Ashe Partnership requires management to make estimates and assumptions that 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 Ashe 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 Ashe Partnership to a concentration of credit risk. At June 30, 2005, the Ashe Partnership's bank deposits in excess of the FDIC insured limit was \$105,404.

NOTE 3 - FUNDING FROM GRANT AWARDS

Smart Start Program - The Ashe 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 Ashe Partnership and represents a concentration of credit risk as to the generation of revenue.

Associated with these contracts, the Ashe 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 Ashe 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Ashe Partnership was awarded and has received \$454,041 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Ashe Partnership has returned \$851 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2005.

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

Even Start Program – The Ashe Partnership received additional revenue and support from the United States Department of Education, which passed through the State of North Carolina based on a cost-reimbursement contract with the Department of Public Instruction (DPI) for the Even Start Program.

The Ashe Partnership was awarded \$110,000 and has received \$88,842 of this amount under a current year contract with DPI. The unexpended balance of this contract is subject to reversion by the State. The Ashe Partnership expects to receive continued funding through new Even Start contracts with the State.

NOTE 4 - RELATED PARTY TRANSACTIONS

- A. Service Provider Contracts with Board Member Organizations** - The board members of the Ashe Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Ashe Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Ashe 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 Ashe Partnership's Smart Start Allocation.
- B. Other Related Parties** - The Ashe County Children's Trust Endowment Committee consists of seven voting members, two of which are Ashe County Partnership board members. The purpose of the Committee is to provide financial resources for programs conducted by the Ashe County 4-H and the Ashe County Partnership to enrich the quality of life for all children in Ashe County. The Ashe County Partnership maintained a separate bank account to deposit and disburse grants awarded by the Committee until February 2005. At that time the bank account was closed and all of the funds were transferred to another bank account that is maintained by the Ashe County Cooperative Extension office (4-H).

The Ashe Partnership also contracted with James R. Vannoy & Sons Construction (Vannoy Construction) for leasehold improvements. An

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

employee of Vannoy Construction is a Partnership board member. The total amount paid to Vannoy Construction during the 2005 fiscal year was \$60,104.

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 Affordability - Used to account for service activities associated with part-day care programs

Child Care and Education Quality - Used to account for service activities including child care resource and referral or professional development.

Family Support - Used to account for service activities including family literacy projects, transportation services, or community outreach information and resources.

Health and Safety - Used to account for service activities including oral health services, comprehensive screenings, or prenatal/newborn services.

Domestic Violence – Used to account for activities associated with providing assistance services for victims and survivors of domestic violence.

Family Central Operations – Used to account for activities to provide adequate and affordable space for non-profit organizations and to promote the coordinated delivery of family services.

B. Support Functions

Fund Raising - Expenditures that are incurred in inducing others to contribute money, securities, time, materials, or facilities for which the contributor will receive no direct economic benefit.

Management and General - Expenditures that are not identifiable with a single program or fund-raising activity but are indispensable to the

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

Salaries and Benefits – Allocated 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, 2005:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2006	\$ 9,884
2007	5,766
2008	5,766
2009	5,766
2010	5,766
2011 and beyond	1,441
Total Minimum Lease Payments	<u>\$ 34,389</u>

Rental expense for all operating leases during the year was \$13,395.

NOTE 7 - PENSION PLAN

IRC Section 403(b) Plan - All permanent employees who are at least half-time can participate in a tax sheltered annuity plan (Plan) created under Internal Revenue Code Section 403(b). The Plan is a defined contribution plan in which each employee of the Ashe Partnership, as a condition of employment, is provided an individual annuity through an outside insurance company. The Ashe Partnership contributed 5% of gross wages for the year

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

ended June 30, 2005. The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These Plans are exclusively for employees of universities and certain charitable and other nonprofit organizations. All costs of administering and funding these Plans are the responsibility of the Plan participants. The Ashe Partnership contributed \$16,109 for retirement benefits during the year.

NOTE 8 - RISK MANAGEMENT

The Ashe 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 Ashe 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 Ashe Partnership. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

- A. Compensated Absences** – As a result of the Ashe 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, 2005, is \$28,192. No funds or reservation of net assets has been made for this commitment.
- B. Loan Commitment** - The Ashe Partnership has a note with a balance of \$459,486 at June 30, 2005 that is secured by the Ashe Partnership building complex and by the income of the organization. The note is payable to the United States Department of Agriculture, Rural Housing Service in annual installments of \$38,440. This amount includes principal and interest computed at an annual rate of 4.5%.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The future scheduled maturities of long-term debt are as follows:

<u>Fiscal Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>
2006	\$ 17,763	\$ 20,677
2007	18,562	19,878
2008	19,398	19,042
2009	20,271	18,169
2010	21,183	17,257
2011-2015	121,100	71,100
2016-2020	150,913	41,287
2021-2023	90,296	7,479
Total Loan Payments	<u>\$ 459,486</u>	<u>\$ 214,889</u>

- C. Mortgage Commitments** - The Ashe Partnership has a note balance of \$88,972 at June 30, 2005, that is secured by the Ashe Partnership building complex and payable to the High Country Bank in 59 regular monthly installments of \$765 and one last balloon payment estimated at \$79,264. This amount includes principal and interest computed at an annual rate of 6.25% at June 30, 2005

The future scheduled maturities of long-term debt are as follows:

<u>Fiscal Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>
2006	\$ 3,725	\$ 5,455
2007	3,964	5,216
2008	81,283	3,336
Total Loan Payments	<u>\$ 88,972</u>	<u>\$ 14,007</u>

NOTE 10 - RESTRICTIONS ON NET ASSETS

- A. Temporarily Restricted Net Assets** - Temporarily restricted net assets at June 30, 2005 are available for the following purposes:

<u>Purpose</u>	<u>Amount</u>
Capital Campaign	\$ 596
Domestic Violence	58,580
A.S.H.E. Client Services	2,945
Project Play	12,500
Wal-Mart Play Center	500
Ashe County Children's Trust Endowment	1,681
Individual Development Account	13,354
	<u>\$ 90,156</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

B. Net Assets Released From Donor Restrictions - Net assets were released from donor restrictions during the fiscal year ended June 30, 2005, by incurring expenditures satisfying the restricted purposes as follows:

Purpose	Amount
Ashe County's Children's Trust Endowment	\$ 1,355
Capital Campaign	27,689
Car Seats	59
Domestic Violence	25,087
Individual Development Account	24,921
Parks & Recreation	2,977
	<u>\$ 82,088</u>

NOTE 11 - PERMANENTLY RESTRICTED NET ASSETS

Net assets were permanently restricted for the following purpose at June 30, 2005:

Purpose	Amount
Ashe County Children's Trust Endowment	\$ 7,636.00

The Ashe County Children's Trust Endowment (Endowment) was established through the North Carolina Community Foundation, Inc. (Foundation) on March 22, 1999. The Ashe Partnership established the Endowment in conjunction with the Ashe County 4-H and its purpose is devoted to the support of the Ashe Partnership and the Ashe County 4-H programs. The Ashe Partnership presents the above amount as a beneficial interest in the foundation.

The agreement between the Ashe Partnership, the Ashe County 4-H, and the Foundation provides that all the contributions to the Endowment are irrevocable. The Endowment, including all investment income, capital gains, and subsequent contributions, are the Foundation's property. The Foundation will make annual distributions of the income earned on the Endowment, subject to Foundation's spending policy. The Foundation may distribute all or any part of the Endowment at the Foundation's discretion; however, it is the Foundation's general policy that a substantial part of the Endowment remains as a permanent endowment of the Foundation. The agreement also permits the Community Foundation to substitute another beneficiary in the place of the Ashe Partnership and the Ashe County 4-H if both organizations cease to exist.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

Therefore, the Ashe Partnership and Ashe County 4-H have explicitly granted variance power to the Community Foundation. The Ashe Partnership's endowment position is identified on the Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis as a Benefit Interest in the Community Foundation. The entire amount invested with the Community Foundation has been identified on the Ashe Partnership's financial statement due to the Ashe Partnership and the Ashe County 4-H not having an agreement in place that identifies the percentage in which each organization is invested.

Ashe County Partnership for Children
Schedule of Contract and Grant Expenditures - Modified Cash Basis
For the Year Ended June 30, 2005

Schedule 1

Organization Name	Smart Start Fund		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
<i>Paid to Organizations:</i>				
Appalachian District Health Department	* \$ 37,000	\$ (129)	\$ 0	\$ 0
Wilkes Community College	* 89,541	0	0	0
	<u>\$ 126,541</u>	<u>\$ (129)</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

***Ashe County Partnership for Children
Schedule of a State Level Service Provider Contract
For the Year Ended June 30, 2005***

Schedule 2

Organization Name	DHHS Contract
Ashe County Department of Social Services *	<u>\$ 150,966</u>

* This organization is represented on the Partnership's Board as described in Note 5A - Service Provider Contracts with Board Member Organizations.

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

**Ashe County Partnership for Children
Schedule of Federal and State Awards - Modified Cash Basis
For the Year Ended June 30, 2005**

Schedule 3

Federal/State Grantor/Pass-through Grantor/Program	Federal CFDA Number	Contract #	Receipts	Expenditures
Federal Awards:				
US Department of Agriculture, Rural Development Community Facility Loan and Grant	10.766	** N/A	\$ 0	\$ 459,486
US Department of Education Pass-through from the North Carolina Department of Public Instruction Pass-through from the Ashe County Board of Education Even Start Family Literacy (Prior Year)	84.213	N/A	30,346	8,194
Even Start Family Literacy (Current Year)	84.213	N/A	88,842	98,829
US Department of Health and Human Services Pass-through from the North Carolina Department of Health and Human Services - Division of Social Services Promoting Safe and Stable Families: Family Resource Center (Prior Year)	93.556	01101-04	3,239	(199)
US Department of Health and Human Services Pass-through from the North Carolina Department of Health and Human Services - Division of Social Services Family Violence Prevention (Prior Year)	93.671	450-04	17,073	12,568
Family Violence Prevention (Current Year)	93.671	450-05	31,473	21,012
US 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 Iredell County Partnership for Young Children Child Care Resource and Referral (Prior Year)	93.575	DCD-0304-2	2,760	0
Child Care Resource and Referral (Current Year)	93.575	DCD-0304-2	29,263	32,889
US Department of Housing and Urban Development Pass-through from the North Carolina Department of Commerce Pass-through from Ashe County Community Development Block Grant	14.228	N/A	0	3,500
US Department of Justice Office of Juvenile Justice and Delinquency Prevention Pass-through from the North Carolina Department of Crime Control and Public Safety Division of Governor's Crime Commission ASHE - A Safe Home for Everyone (Prior Year)	16.575	005-1-03-B10-AV-366	22,010	0
ASHE - A Safe Home for Everyone (Current Year)	16.575	005-1-04-B10-AV-908	31,428	41,000
Total Federal Awards			<u>256,434</u>	<u>677,279</u>
State Awards:				
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	(3,840)	-
Early Childhood Initiatives Program (Current Year)	*	N/A	453,190	453,190
Multi-County Accounting and Contracting Grant			12,000	12,634
North Carolina Department of Administration Council for Women and Domestic Violence Commission Domestic Violence Grant (Prior Year)		N/A	(411)	-
Domestic Violence Grant (Current Year)		N/A	50,000	50,000
Marriage License Grant (Prior Year)		N/A	3,599	
Marriage License Grant (Current Year)		N/A	13,040	13,040
Total State Awards			<u>527,578</u>	<u>528,864</u>
Total Federal and State Awards			<u>\$ 784,012</u>	<u>\$ 1,206,143</u>

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

** Major Programs per OMB Circular A-133

Notes to the Schedule of Federal and State Awards - Modified Cash Basis

1. The accompanying schedule of federal and state awards includes the federal and State grant activity of the Ashe County Partnership for Children and is presented on the modified cash 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2. Loan Outstanding

Ashe County Partnership for Children had the following loan balance outstanding at June 30, 2005. This loan balance outstanding is also included in the federal expenditures presented in the schedule. This loan has been included on the schedule due to the continuing federal compliance requirements.

Program Title	CFDA Number	Pass-through Grantor's Number	Amount Outstanding
Building Renovations	10.766	N/A	\$ 459,486

***Ashe County Partnership for Children
Schedule of Property and Equipment - Modified Cash Basis
For the Year Ended June 30, 2005***

Schedule 4

Furniture and Noncomputer Equipment	\$ 56,639
Computer Equipment/Printers	48,985
Buildings	171,213
Leasehold Improvements	1,202,655
Motor Vehicles	<u>82,360</u>
 Total Property and Equipment	 <u><u>\$ 1,561,852</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 cash basis of accounting, these items are expensed in the year of purchase.

***Ashe County Partnership for Children
Schedule of Qualifying Match (Non-GAAP)
For the Year Ended June 30, 2005***

Schedule 5

Match Provided at the Partnership Level:

Cash	\$ 39,294
In-Kind Goods and Services	<u>11,425</u>
	<u>\$ 50,719</u>

Match Provided at the Contractor Level:

Cash	<u>\$ 11,798</u>
------	------------------

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.

[This Page Left Blank Intentionally]

Winston, Williams, Creech, Evans & Company, LLP

Certified Public Accountants



The CPA. Never Underestimate The Value.™

James P. Winston II, CPA
Gary L. Williams, CPA
Leonard R. Creech, Jr. CPA
Carleen P. Evans, CPA

Jennifer T. Reese, CPA
Elizabeth H. Jackson, CPA
Traig B. Neal, CPA

INDEPENDENT AUDITOR'S 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

Board of Directors
Ashe County Partnership for Children
Jefferson, North Carolina

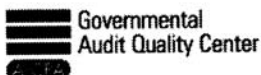
We have audited the accompanying financial statements of the Ashe County Partnership for Children (Ashe Partnership) as of and for the year ended June 30, 2005, and have issued our report thereon dated March 3, 2006. We conducted our audit in accordance with auditing standards generally accepted in the 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 Ashe Partnership'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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Ashe Partnership's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 05-1.

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

102 W. Spring Street P.O. Box 1366 Oxford, NC 27565 (919) 693-5196 fax (919) 693-7614
12339-108 Wake Union Church Road Wake Forest, NC 27587 (919) 556-0282 Fax (919) 556-0349



www.wweccpa.com



**INDEPENDENT AUDITOR'S 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 (CONCLUDED)**

employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting 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. However we do not believe the reportable condition described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ashe County Partnership'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. However, we noted certain immaterial matters that we reported to management of the Ashe County Partnership, in a separate letter dated March 3, 2006.

This report is intended solely for the information and use of the audit committee, management of the Ashe 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.

Winston, Williams, Creech, Evans and Company, LLP

Winston, Williams, Creech, Evans and Company, LLP
Certified Public Accountants
March 3, 2006

Winston, Williams, Creech, Evans & Company, LLP

Certified Public Accountants



The CPA. Never Underestimate The Value.™

James P. Winston II, CPA
Gary L. Williams, CPA
Leonard R. Creech, Jr. CPA
Carleen P. Evans, CPA

Jennifer T. Reese, CPA
Elizabeth H. Jackson, CPA
Traig B. Neal, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Ashe County Partnership for Children
Jefferson, North Carolina

Compliance

We have audited the compliance of the Ashe County Partnership for Children (Ashe Partnership) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Ashe Partnership'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 Ashe Partnership's management. Our responsibility is to express an opinion on Ashe Partnership'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*. Those standards and OMB Circular A-133 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 Ashe Partnership'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 Ashe Partnership's compliance with those requirements.

In our opinion, Ashe Partnership 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.

102 W. Spring Street P.O. Box 1366 Oxford, NC 27565 (919) 693-5196 fax (919) 693-7614
12339-108 Wake Union Church Road Wake Forest, NC 27587 (919) 556-0282 Fax (919) 556-0349



www.wwcecpa.com



**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133(CONCLUDED)**

Internal Control Over Compliance

The management of Ashe Partnership 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 Ashe Partnership'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.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Ashe Partnership's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 05-1.

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 the 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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions that are also considered to be material weaknesses. However we do not believe the reportable condition described above is a material weakness. In addition we noted certain immaterial matters, which we have reported to the management of the Ashe Partnership in a separate letter, dated March 3, 2006.

This report is intended solely for the information and use of the management of the Ashe Partnership, The North Carolina Partnership for Children, Inc., the Governor, and the General Assembly and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Winston, Williams, Creech, Evans and Company, LLP

Winston, Williams, Creech, Evans and Company, LLP
Certified Public Accountants
March 3, 2006

**ASHE COUNTY PARTNERSHIP FOR CHILDREN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: **Unqualified**

Internal Control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified
that are not considered to be material
weaknesses? ☒ Yes ☐ None reported

Noncompliance material to financial
Statement noted?

☐ Yes ☒ No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified
that are not considered to be material
weaknesses? ☒ Yes ☐ None reported

Type of auditor's report issued on compliance for major federal programs:
Unqualified

Any audit findings disclosed that
are required to be reported in
accordance with Section 510(a)
of Circular A-133?

☐ Yes ☒ No

Identification of major federal programs:

CFDA Numbers
10.766

Names of Federal Program or Cluster
Community Facilities Loans and Grants

Dollar threshold used to distinguish between
Type A and Type B programs

\$300,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

**ASHE COUNTY PARTNERSHIP FOR CHILDREN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005 (CONTINUED)**

II. Financial Statement Findings

05-1 INTERNAL CONTROL WEAKNESSES

Our testwork identified two deficiencies in the Ashe Partnership's system of internal control. In these cases, transactions were not being processed in accordance with the Partnership's established policies and procedures. The items noted included:

- Payroll transactions are recorded on the books of the Partnership by journal entries. We noted the payroll journal entry is being prepared and posted to the accounting system by the MAC accountant (processor for Partnership transactions) without the required review of the Fiscal Coordinator. Payroll costs are significant transactions to the Partnership and the timing of review, authorization, processing, and recording of those transactions is key to the internal control processes for payroll.
- Journal entries affect changes to the original accounting records. As such, it is essential that journal entry transactions are properly documented and reviewed by management prior to their entry into the accounting system. Instances were noted where journal entries were entered into the accounting system without the documented approval of management.

Recommendation: We recommend that the Ashe Partnership review its current operations and make appropriate changes to ensure adherence with its approved policies and procedures. Proper reviews and authorizations should be documented within the Partnership's accounting records.

Partnership's Response: The Ashe Partnership plans to revisit its policies and procedures to ensure that fiscal integrity is maximized. Emphasis will be placed on adherence to those policies and procedures to ensure the timely review and authorization of accounting transactions.

III. Federal Award Findings and Questioned Costs

05-1 INTERNAL CONTROL WEAKNESSES

Our testwork identified two deficiencies in the Ashe Partnership's system of internal control. In these cases, transactions were not being processed in accordance with the Partnership's established policies and procedures. The items noted included:

- Payroll transactions are recorded on the books of the Partnership by journal entries. We noted the payroll journal entry is being prepared and posted to the accounting system by the MAC accountant (processor for Partnership transactions) without the required review of the Fiscal Coordinator. Payroll costs are significant transactions to the Partnership and the timing of review, authorization, processing, and recording of those transactions is key to the internal control processes for payroll.

**ASHE COUNTY PARTNERSHIP FOR CHILDREN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005 (CONCLUDED)**

- Journal entries affect changes to the original accounting records. As such, it is essential that journal entry transactions are properly documented and reviewed by management prior to their entry into the accounting system. Instances were noted where journal entries were entered into the accounting system without the documented approval of management.

Recommendation: We recommend that the Ashe Partnership review its current operations and make appropriate changes to ensure adherence with its approved policies and procedures. Proper reviews and authorizations should be documented within the Partnership's accounting records.

Partnership's Response: The Ashe Partnership plans to revisit its policies and procedures to ensure that fiscal integrity is maximized. Emphasis will be placed on adherence to those policies and procedures to ensure the timely review and authorization of accounting transactions.

[This Page Left Blank Intentionally]

**ASHE COUNTY PARTNERSHIP FOR CHILDREN
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

FINDING 04-01 INNACURATE FINANCIAL STATEMENT PRESENTATIONS

STATUS: Corrected

FINDING 04-02 CONTRACT MANAGEMENT AND MONITORING DEFICIENCIES

STATUS: Corrected

FINDING 04-03 INTERNAL CONTROL WEAKNESSES

STATUS: Procedures were reviewed and changed to ensure they were in accordance with its approved policies and procedures. However these changes were made during the course of the fiscal year and the audit noted transactions that occurred prior to these changes. The proper approval of payroll and journal entries continues to be a finding. (See 05-1)

FINDING 04-04 NONCOMPLIANCE WITH THE DAVIS BACON ACT

STATUS: According to correspondence from the Director of the Financial Management Division of the United States Department of Agriculture, Rural Development office closure has been reached on this finding and no further response to the Financial Management Division is necessary.

FINDING 04-05 FAILURE TO FILE APPROPRIATE FEDERAL REPORTS

STATUS: Corrected

**ASHE COUNTY PARTNERSHIP FOR CHILDREN
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2005**

Finding Number	Contact Person Phone Number	Corrective Action Planned
05-1	Carol Coulter (336) 982-4588	<u>Internal Control Weaknesses</u> The Ashe Partnership plans to revisit its policies and procedures to ensure that fiscal integrity is maximized. Emphasis will be placed on adherence to those policies and procedures to ensure the timely review and authorization of accounting transactions.

ORDERING INFORMATION

Audit reports issued by the Office of the State Auditor can be obtained from the web site at www.ncauditor.net. Also, parties may register on the web site to receive automatic email notification whenever reports of interest are issued. Otherwise, copies of this report may be obtained by contacting the:

Office of the State Auditor
State of North Carolina
2 South Salisbury Street
20601 Mail Service Center
Raleigh, North Carolina 27699-0601

Telephone: 919/807-7500

Facsimile: 919/807-7647