

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

**ROXBORO, 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**

**PERSON COUNTY PARTNERSHIP FOR CHILDREN**

**ROXBORO, NORTH CAROLINA**

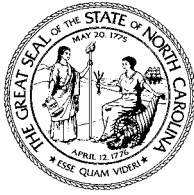
**FOR THE YEAR ENDED JUNE 30, 2005**

**BOARD OF DIRECTORS**

**YVONNE PLEASANT, BOARD CHAIRMAN**

**ADMINISTRATIVE OFFICER**

**MAYNELL HARPER, 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, Person County Partnership for Children

This report presents the results of the financial statement audit of Person County Partnership for Children for the year ended June 30, 2005. Tichenor & Associates, LLP performed the audit under contract with the Office of the State Auditor, and their report is submitted herewith.

The audit of the Person 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 Person County Partnership for Children is one of these local partnerships. As such, the Person 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

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# **Tichenor & Associates, LLP**

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## **INDEPENDENT AUDITOR'S REPORT**

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Board of Directors  
Person County Partnership for Children  
Roxboro, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Person County Partnership for Children (Person 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 Person 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 Person 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 our report dated April 5, 2006, on our consideration of the Person Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, 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

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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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 Person County Partnership for Children's basic financial statements. The information in Schedules 1, 3, 4 and 5 are 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.

*Tichenor & Associates, LLP*

Tichenor & Associates, LLP

April 5, 2006

**Person 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	Total Funds
	Smart Start Fund	Other Funds		
<b>Receipts:</b>				
State Awards (less refunds of \$41,893)	\$ 581,186	\$ 139,763	\$ 306	\$ 721,255
Federal Awards	0	333,495	1,388	334,883
Local Awards	0	13,500	0	13,500
Private Contributions	0	26,946	4,888	31,834
Special Fund Raising Events	0	(4,475)	0	(4,475)
Interest and Investment Earnings	0	1,681	0	1,681
Sales Tax Refunds	0	538	0	538
Other Receipts	0	1,805	0	1,805
<b>Total Receipts</b>	<b>581,186</b>	<b>513,253</b>	<b>6,582</b>	<b>1,101,021</b>
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	0	40,362	(40,362)	0
	<b>581,186</b>	<b>553,615</b>	<b>(33,780)</b>	<b>1,101,021</b>
<b>Expenditures:</b>				
Programs:				
Child Care and Education Affordability	67,914	2	0	67,916
Child Care and Education Quality	207,492	190,847	0	398,339
Family Support	84,184	202,676	0	286,860
Health and Safety	29,954	0	0	29,954
More at Four	40,054	120,013	0	160,067
Support:				
Fund Raising	0	100	0	100
Management and General	115,213	24,202	0	139,415
Program Coordination	0	37,955	0	37,955
Program Evaluation	54,995	0	0	54,995
Other:				
Sales Tax Paid	0	1,252	0	1,252
<b>Total Expenditures</b>	<b>599,806</b>	<b>577,047</b>	<b>0</b>	<b>1,176,853</b>
<b>Excess of Receipts Over Expenditures</b>	<b>(18,620)</b>	<b>(23,432)</b>	<b>(33,780)</b>	<b>(75,832)</b>
<b>Net Assets at Beginning of Year</b>	<b>18,620</b>	<b>62,472</b>	<b>63,232</b>	<b>144,324</b>
<b>Net Assets at End of Year</b>	<b>\$ 0</b>	<b>\$ 39,040</b>	<b>\$ 29,452</b>	<b>\$ 68,492</b>
<b>Net Assets Consisted of:</b>				
Cash and Cash Equivalents	\$ 18,965	\$ 39,040	\$ 29,452	\$ 87,457
Refunds Due from Contractors	4,308	0	0	4,308
Net Assets at End of Year	23,273	39,040	29,452	91,765
Less: Due to the State	(23,273)	0	0	(23,273)
	<b>\$ 0</b>	<b>\$ 39,040</b>	<b>\$ 29,452</b>	<b>\$ 68,492</b>

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

*Person 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
<b>Smart Start Fund:</b>								
<b>Programs:</b>								
Child Care and Education Affordability	\$ 67,914	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 67,914
Child Care and Education Quality	207,492	81,791	2,100	5,483	8,587	7,866	3,098	98,567
Family Support	84,184	0	0	0	0	0	0	84,184
Health and Safety	29,954	0	0	0	0	0	0	29,954
More at Four	40,054	0	0	154	0	0	0	39,900
	<u>429,598</u>	<u>81,791</u>	<u>2,100</u>	<u>5,637</u>	<u>8,587</u>	<u>7,866</u>	<u>3,098</u>	<u>320,519</u>
<b>Support:</b>								
Management and General	115,213	93,886	1,747	2,194	5,119	9,731	2,536	0
Program Evaluation	54,995	33,427	10,539	1,030	4,544	1,796	3,659	0
	<u>170,208</u>	<u>127,313</u>	<u>12,286</u>	<u>3,224</u>	<u>9,663</u>	<u>11,527</u>	<u>6,195</u>	<u>0</u>
<b>Total Smart Start Fund Expenditures</b>	<u>\$ 599,806</u>	<u>\$ 209,104</u>	<u>\$ 14,386</u>	<u>\$ 8,861</u>	<u>\$ 18,250</u>	<u>\$ 19,393</u>	<u>\$ 9,293</u>	<u>\$ 320,519</u>
<b>Other Funds:</b>								
<b>Programs:</b>								
Child Care and Education Affordability	\$ 2	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2
Child Care and Education Quality	190,847	44,871	0	1,866	3,850	3,036	275	136,949
Family Support	202,676	67,001	4,753	30,481	18,990	4,671	3,806	72,974
More at Four	120,013	4,505	0	225	648	159	26	114,450
	<u>513,538</u>	<u>116,377</u>	<u>4,753</u>	<u>32,572</u>	<u>23,488</u>	<u>7,866</u>	<u>4,107</u>	<u>324,375</u>
<b>Support:</b>								
Fund Raising	100	0	0	100	0	0	0	0
Management and General	24,202	4,406	10,487	1,870	2,732	2,960	1,747	0
Program Coordination	37,955	32,093	0	622	2,296	1,381	1,563	0
	<u>62,257</u>	<u>36,499</u>	<u>10,487</u>	<u>2,592</u>	<u>5,028</u>	<u>4,341</u>	<u>3,310</u>	<u>0</u>
<b>Other:</b>								
Sales Tax Paid	1,252	0	0	1,252	0	0	0	0
<b>Total Other Funds Expenditures</b>	<u>\$ 577,047</u>	<u>\$ 152,876</u>	<u>\$ 15,240</u>	<u>\$ 36,416</u>	<u>\$ 28,516</u>	<u>\$ 12,207</u>	<u>\$ 7,417</u>	<u>\$ 324,375</u>

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



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

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization and Purpose** – The Person County Partnership for Children (Person Partnership) is a legally separate nonprofit organization incorporated on January 20, 1994. The Person Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Person 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 Person 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 Person Partnership did not have any permanently restricted net assets at June 30, 2005.

**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. However, unexpended advances to contractors that revert back to the State of North

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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Carolina are recognized as a reduction to expenditures and an increase to net assets. 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 State.

- 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. Due To The State** – The funding 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.
- G. Funds Held For Others** – Funds held for others includes amounts received that are fiduciary in nature in which the Person Partnership acts in an agency capacity. For the year ended, the Person Partnership was not holding any amounts withheld from employee paychecks for distribution to taxing authorities.
- H. Property and Equipment** – Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year occurred. However, Person Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Person 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, 2005. Donated items are recorded at estimated fair market value at the date of donation.
- I. 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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compensated absences for accumulated, unpaid leave that would be due to employees upon termination is reported as a commitment in Note 9.

- J. Use of Estimates** – The preparation of financial statements in conformity with the other comprehensive basis of accounting used by the Person 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 Person Partnership are deposited with commercial banks and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Deposits over that amount subjects the Person Partnership to a concentration of credit risk. At June 30, 2005, the Person Partnership's bank deposits in excess of the FDIC insured limit was \$7,085.

### NOTE 3 - FUNDING FROM GRANT AWARDS

**Smart Start Program** –The Person 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 Person Partnership and represents a concentration of credit risk as to the generation of revenue.

Associated with these contracts, the Person 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, NCPC and the North Carolina Department of Health and Human Services (DHHS) entered into contracts with and made payments to service providers selected by the Person Partnership. These service provider contracts are not reflected on the accompanying financial statements. However, a summary of the service provider contracts entered into by (NCPC and/or DHHS) is presented on Schedule 2 accompanying the financial statements.

The Person Partnership was awarded and has received \$623,079 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Person Partnership has returned \$23,273 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2005.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

**Child and Adult Care Food Program** –The Person Partnership’s other major source of revenue and support is from the State of North Carolina based on a cost-reimbursement contract with DHHS for the Child and Adult Care Food Program. The Person Partnership expects to receive continued funding through new Child and Adult Care Food Program contracts with the State.

The Person Partnership was awarded and received \$168,463 under a current year contract with DHHS. The unexpended balance of this contract is subject to reversion to the State.

**The Early Learning Opportunities Act Discretionary Grant** – The Person Partnership’s other major source of revenue and support is from the Federal Department of Health and Human Services based on a cost-reimbursement contract with DHHS for the Early Learning Opportunities Act Discretionary Grant Program.

The Person Partnership was awarded \$319,902 under a current year contract with DHHS and has received \$95,748 of this amount. The unexpended balance of this contract is subject to reversion to the State, however, as allowed by program regulation, the unexpended balance of the current year contract is available for carry-forward to the subsequent year based on approval by DHHS. In the current year, DHHS has approved the unexpended balance of \$224,154 for carry-forward to the subsequent year.

**Private Sector Grant from NCPC-Partners in Literacy** – Another Source of revenue and support for The Person Partnership’s is an NCPC Private Grant from the Wachovia Foundation for the Partners in Literacy Grant.

The Person Partnership was awarded \$42,749 in October 2003 with NCPC and has received \$21,374 of this amount. All funds have been expended.

**More at Four** – The Person Partnership also received revenue and support from the State of North Carolina for the More at Four Program. The Person Partnership was awarded and received \$121,317 under a current year cost-reimbursement contract. The unexpended balance of this contract is subject to reversion to the State, however, all funds have been expended in the current year. The Person Partnership expects to receive continued funding through new More at Four contracts with the State.

**Child Care Services Association** – The Person Partnership also received revenue and support from the State of North Carolina based on a cost-reimbursement contract with DHHS that flows through Child Care Services Association. The Person Partnership was awarded and received

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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\$25,137 under a current year contract with Child Care Services Association. The unexpended balance of this contract is subject to reversion to the State. The Person Partnership has returned \$652 of this contract to state based on financial status reports submitted to Child Care Services Association prior to June 30, 2005.

The Person Partnership expects to receive continued funding through new Child Care Services Association contracts with the State.

**North Carolina Juvenile Justice/Nurturing Parenting** – The Person Partnership also received revenue and support from the State of North Carolina based on a cost-reimbursement contract with the Department of Juvenile Justice that flows through the Person County Government. The Person Partnership was awarded \$25,000 under a current year contract with the Department of Juvenile Justice and has received \$2,212 for the Nurturing Parent Program. The unexpended balance of this contract is subject to reversion to the State.

**North Carolina Juvenile Justice/Family Support and Education** – The Person Partnership also received revenue and support from the State of North Carolina based on a cost-reimbursement contract with Department of Juvenile Justice flowing through the Person County Government. The Person Partnership was awarded \$7,712 under a current year contract with OPC Area Programs and has received \$4,117 for the Family Support and Education. The unexpended balance of this contract is subject to reversion to the State.

**Family Advocates** – The Person Partnership also received revenue and support from the DHHS based on a cost-reimbursement contract with Division of Mental Health, Developmental Disabilities and Substance Abuse Services that flows through OPC Area Program. The Person Partnership was awarded \$120,032 under a current year contract with OPC Area Programs and has received \$75,363 for the Family Advocates and support program. The unexpended balance of this contract is subject to reversion to the DHHS, however, all funds have been expended at June 30, 2005.

### NOTE 4 - RELATED PARTY TRANSACTIONS

**A. Service Provider Contracts with Board Member Organizations** – The board members of the Person Partnership are representatives of various organizations that benefit from actions taken by the Board. It is the policy of the Person Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Person 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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contracts entered into by NCPC and/or DHHS with board member organizations for activities funded by the Person Partnership's Smart Start Allocation.

- B. Other Related Parties** – The Person Partnership entered into transactions for insurance coverage with an insurance agency, a private business associated with a board member of the Person Partnership. The amounts paid for insurance was \$5,600.

### 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 including Head Start wraparound, child care subsidy, transportation to child care, or supplements for quality.

**Child Care and Education Quality** – Used to account for service activities including quality enhancement grants for upgrades, child care resource and referral, professional development, salary supplements, mentoring programs, behavior intervention, or curriculum enhancements.

**Family Support** – Used to account for service activities including family resource centers, parenting education, and skills training, teen parent/child programs, general family support, support services for children and families in crisis, transportation services, or community outreach.

**Health and Safety** – Used to account for service activities including dental treatment, comprehensive dental services, prenatal/newborn services, child care health consultants/outreach nurses, special needs – early intervention services, or special needs – specialized therapy.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### 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 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 actual time spent by employee's time reports.

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

### NOTE 6 - OPERATING LEASE OBLIGATIONS

Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2005:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2006	\$ 6,494
2007	2,027
2008	1,320
2009	<u>660</u>
Total Minimum Lease Payments	<u>\$ 10,501</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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Rental expenses for all operating leases during the year were \$23,146.

### NOTE 7 - PENSION PLAN

- A. Retirement Plans** – The Person Partnership has a defined contribution plan covering all employees. Each full-time employee of the Person Partnership, as a condition of employment, is provided an individual annuity through an outside insurance company. The Person Partnership contributed \$75 per month for each employee for the year ended June 30, 2005. The Person Partnership does not own the annuities nor is liable for any other cost other than the required contribution. The Person Partnership contributed \$6,910 for pension benefits during the year.
- B. 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 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. No costs were incurred by the Person Partnership.

### NOTE 8 - RISK MANAGEMENT

The Person 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; physical property loss and natural disasters. The Person Partnership manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Management</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 Person Partnership. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.



## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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### NOTE 9 - COMMITMENTS AND CONTINGENCIES

**Compensated Absences** – As a result of the Person 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 \$17,089. No funds or reservation of net assets has been made for this commitment.

### 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:

Purpose	Amount
Child and Adult Care Food Program	\$ 1,388
Child Care Services	306
Week of the Young Children	2,661
United Way Dollywood	8,345
Private Funds Dollywood Donations	15,362
Covey	<u>1,390</u>
Total	<u>\$ 29,452</u>

**B. Net Assets Released Donor From 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
Week of the Young Child	\$ 1,258
Child and Adult Care Food Program	1,694
OPC Family	31,183
United Way Dollywood Imagination	323
Wachovia/Dollywood	<u>5,904</u>
Total	<u>\$ 40,362</u>

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

***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>
<b><i>Paid to Organizations:</i></b>				
Early Intervention Family Services	\$ 8,100	\$ 0	\$ 18,900	\$ 0
Person County Board of Education	147,414	1,316	0	0
Piedmont Community College	38,027	0	37,100	0
Person County Health Department	32,946	2,992	127,972	0
	<u>226,487</u>	<u>4,308</u>	<u>183,972</u>	<u>0</u>
<b><i>Paid to Individuals:</i></b>				
May Alexander	98,340	0	2,212	0
Child Care Expense Reimbursements	0	0	136,951	0
Flex Funds Family Advocates	0	0	1,240	0
	<u>98,340</u>	<u>0</u>	<u>140,403</u>	<u>0</u>
	<u>\$ 324,827</u>	<u>\$ 4,308</u>	<u>\$ 324,375</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.

***Person County Partnership for Children  
 Schedule of State Level Service Provider Contracts (Unaudited)  
 For the Year Ended June 30, 2005***

***Schedule 2***

<b>Organization Name</b>	<b>DHHS Contracts</b>
* Person County Department of Social Services	<u>\$ 317,506</u>

\* This organization is represented on the Partnership's Board as described in Note 4A - 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.

**Person 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
<b>Federal Awards:</b>				
U.S. Department of Agriculture Pass-through from the North Carolina Department of Health and Human Services - Division of Public Health Child And Adult Care Food Program	10.558	7095	\$ 168,463	\$ 168,769
U.S. Department of Health & Human Services Pass-through from the NC Division of Child Development to Child Care Services Association	16.548	CCSA	25,136	18,535
Federal Early Learning Opportunity Act Grant	93.577	#90LO0124/01	95,748	118,117
U.S. Department of Health and Human Services Pass-through from the NC Division of Mental Health to OPC		N/A	<u>45,536</u>	<u>89,346</u>
<b>Total Federal Awards</b>			<u>334,883</u>	<u>394,767</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	(18,620)	0
Early Childhood Initiatives Program (Current Year)	*	N/A	623,079	599,806
Early Childhood Initiatives Program (Current Year)		N/A	(23,273)	0
Multi-County Accounting and Contracting Grant		N/A	12,000	12,000
Division of Juvenile Justice to Person County Government		N/A	2,212	2,212
North Carolina Department of Juvenile Justice to Person County Government			4,540	4,117
North Carolina Department of Health and Human Services More at Four Pre-Kindergarten Program		N/A	<u>121,317</u>	<u>121,317</u>
<b>Total State Awards</b>			<u>721,255</u>	<u>739,452</u>
<b>Total Federal and State Awards</b>			<u>\$ 1,056,138</u>	<u>\$ 1,134,219</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.

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

***Schedule 4***

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Furniture and Noncomputer Equipment	\$	11,913
Computer Equipment/Printers		<u>21,259</u>
Total Property and Equipment	\$	<u><u>33,172</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.

***Person 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	\$	142,739
In-Kind Goods and Services		<u>7,959</u>
	\$	<u><u>150,698</u></u>

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

Cash	\$	<u><u>63,740</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.

## **Tichenor & Associates, llp**

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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  
Person County Partnership for Children  
Roxboro, North Carolina

We have audited the financial statements of the Person County Partnership for Children (Person Partnership) as of and for the year ended June 30, 2005, and have issued our report thereon dated April 5, 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 Person 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 Person 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 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

**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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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 Person 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.

*Tichenor & Associates, LLP*

Tichenor & Associates, LLP

April 5, 2006



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

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**FINDING – 1 COMPETITIVE BIDDING**

**STATUS:** Corrected

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## ORDERING INFORMATION

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Audit reports issued by the Office of the State Auditor can be obtained from the web site at [www.ncauditor.net](http://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:

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