

**Financial Statement Audit Report of  
Alexander County Partnership for Children  
Taylorsville, North Carolina  
For the Year Ended June 30, 2005**

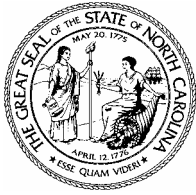
Performed Under Contract With the  
North Carolina Office of the State Auditor

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

**Financial Statement Audit Report of  
Alexander County Partnership for Children  
Taylorsville, North Carolina  
For the Year Ended June 30, 2005**

**Board of Directors  
Frances Campbell, Chair**

**Administrative Officer  
Steve Eaton, Executive Director**



Leslie W. Merritt, Jr., CPA, CFP  
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, Alexander County Partnership for Children

This report presents the results of the financial statement audit of Alexander 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 Alexander 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 Alexander County Partnership for Children is one of these local partnerships. As such, the Alexander 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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# Winston, Williams, Creech, Evans & Company, LLP

Certified Public Accountants



The CPA. Never Underestimate The Value.™

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## INDEPENDENT AUDITOR'S REPORT

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Board of Directors  
Alexander County Partnership for Children  
Taylorsville, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Alexander County Partnership for Children (Alexander 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 Alexander Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

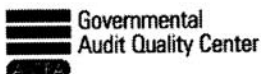
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 Alexander 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.

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## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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In accordance with *Government Auditing Standards*, we have also issued a report dated March 17, 2006, on our consideration of the Alexander 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 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 Alexander 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 17, 2006

**Alexander 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 \$40,312)	\$ 445,443	\$ 159,287	\$ 0	\$ 604,730
Federal Awards	0	5,645	0	5,645
Private Contributions	0	5,451	6,057	11,508
Special Fund Raising Events	0	1,853	0	1,853
Interest and Investment Earnings	0	71	0	71
Sales Tax Refunds	0	2,177	0	2,177
<b>Total Receipts</b>	<b>445,443</b>	<b>174,484</b>	<b>6,057</b>	<b>625,984</b>
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	0	11,576	(11,576)	0
	<b>445,443</b>	<b>186,060</b>	<b>(5,519)</b>	<b>625,984</b>
<b>Expenditures:</b>				
Programs:				
Child Care and Education Quality	240,631	8,162	0	248,793
Family Support	13,700	2,500	0	16,200
Health and Safety	103,221	11,766	0	114,987
More at Four	0	147,287	0	147,287
Support:				
Management and General	109,627	12,788	0	122,415
Other:				
Sales Tax Paid	0	2,295	0	2,295
<b>Total Expenditures</b>	<b>467,179</b>	<b>184,798</b>	<b>0</b>	<b>651,977</b>
<b>Excess of Receipts Over Expenditures</b>	<b>(21,736)</b>	<b>1,262</b>	<b>(5,519)</b>	<b>(25,993)</b>
<b>Net Assets at Beginning of Year</b>	<b>21,736</b>	<b>1,312</b>	<b>28,566</b>	<b>51,614</b>
<b>Net Assets at End of Year</b>	<b>\$ 0</b>	<b>\$ 2,574</b>	<b>\$ 23,047</b>	<b>\$ 25,621</b>
<b>Net Assets Consisted of:</b>				
Cash and Cash Equivalents	\$ 14,536	\$ 2,574	\$ 23,047	\$ 40,157
Refunds Due From Contractors	4,040	0	0	4,040
	<b>18,576</b>	<b>2,574</b>	<b>23,047</b>	<b>44,197</b>
Less: Due to the Primary Government	(18,576)	0	0	(18,576)
	<b>\$ 0</b>	<b>\$ 2,574</b>	<b>\$ 23,047</b>	<b>\$ 25,621</b>

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

**Alexander 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 Quality	\$ 240,631	\$ 67,506	\$ 993	\$ 15,623	\$ 17,209	\$ 9,047	\$ 2,488	\$ 127,765
Family Support	13,700	0	0	0	0	0	0	13,700
Health and Safety	103,221	0	0	0	0	0	0	103,221
	<u>357,552</u>	<u>67,506</u>	<u>993</u>	<u>15,623</u>	<u>17,209</u>	<u>9,047</u>	<u>2,488</u>	<u>244,686</u>
<b>Support:</b>								
Management and General	109,627	68,570	12,167	1,968	17,592	7,170	2,160	0
<b>Total Smart Start Fund Expenditures</b>	<u>\$ 467,179</u>	<u>\$ 136,076</u>	<u>\$ 13,160</u>	<u>\$ 17,591</u>	<u>\$ 34,801</u>	<u>\$ 16,217</u>	<u>\$ 4,648</u>	<u>\$ 244,686</u>
<b>Other Funds:</b>								
<b>Programs:</b>								
Child Care and Education Quality	\$ 8,162	\$ 0	\$ 4,030	\$ 631	\$ 2,651	\$ 850	\$ 0	\$ 0
Family Support	2,500	0	0	1,071	1,429	0	0	0
Health and Safety	11,766	0	0	0	0	0	0	11,766
More at Four	147,287	0	0	0	0	0	0	147,287
	<u>169,715</u>	<u>0</u>	<u>4,030</u>	<u>1,702</u>	<u>4,080</u>	<u>850</u>	<u>0</u>	<u>159,053</u>
<b>Support:</b>								
Management and General	12,788	3,704	8,296	651	137	0	0	0
<b>Other:</b>								
Sales Tax Paid	2,295	0	0	2,295	0	0	0	0
<b>Total Other Funds Expenditures</b>	<u>\$ 184,798</u>	<u>\$ 3,704</u>	<u>\$ 12,326</u>	<u>\$ 4,648</u>	<u>\$ 4,217</u>	<u>\$ 850</u>	<u>\$ 0</u>	<u>\$ 159,053</u>

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



**ALEXANDER 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 Alexander County Partnership for Children (Alexander Partnership) is a legally separate nonprofit organization incorporated on March 19, 1998. The Alexander Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Alexander 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 Alexander 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 Alexander 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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However, unexpended advances to contractors that revert back to the State of North Carolina are recognized as a reduction to expenditures and an increase to net assets. 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 advances 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. 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 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.
- G. Property and Equipment** – Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year occurred. However, Alexander Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Alexander 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.
- H. Compensated Absences** – As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid leave that would be due to employees upon termination is reported as a commitment in Note 8.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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- I. Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting used by the Alexander 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 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Alexander 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 a contract with and made payments to a service provider selected by the Alexander Partnership. This service provider contract is not reflected on the accompanying financial statements. However, a summary of the service provider contract entered into by DHHS is presented on Schedule 2 accompanying the financial statements.

The Alexander Partnership was awarded and has received \$485,755 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Alexander Partnership has returned \$18,576 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2005.

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

**More at Four** - The Alexander Partnership also received revenue and support from the State of North Carolina for the More at Four Program. The Alexander Partnership was awarded \$148,400 and received \$147,287 under a current year cost-reimbursement contract. The Alexander Partnership expects to receive continued funding through new More at Four contracts with the State.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### NOTE 3 - RELATED PARTY TRANSACTIONS

**Service Provider Contracts with Board Member Organizations** - The board members of the Alexander Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Alexander Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Alexander 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 Alexander Partnership's Smart Start Allocation.

### NOTE 4 - FUNCTIONAL EXPENDITURES

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

#### A. Program Functions

**Child Care and Education Quality** - Used to account for service activities including child care resource and referral, professional development, child care substitutes, salary supplements, provider training, health/safety training for child care professionals.

**Family Support** - Used to account for service activities including teen parent/child program and ongoing parent education.

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

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

#### B. Support Functions

**Management and General** - Expenditures that are not identifiable with a single program or fund-raising activity but are indispensable to the conduct of those activities and to an organization's existence, including

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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expenditures for the overall direction of the organization, its general board activities, business management, general recordkeeping, budgeting, and related purposes.

### C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

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

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

### NOTE 5 - 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	\$ 15,042
2007	15,042
2008	8,642
2009	5,442
2010	1,361
Total Minimum Lease Payments	<u>\$ 45,529</u>

Rental expense for all operating leases during the year was \$13,542.

### NOTE 6 - PENSION PLAN

**IRC Section 403(b)(7) 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)(7). The Plan is a defined contribution plan in which each employee of the Alexander Partnership, as a condition of employment, is provided a custodial account with a brokerage firm to be invested in mutual funds. The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until withdrawal at which time they are taxed as ordinary income. The Plan is exclusively for employees of universities and certain charitable and

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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other nonprofit organizations. All costs of administering and funding these Plans are the responsibility of the Plan participants.

The Alexander Partnership contributes 10% of each qualifying employee's salary to the Plan. For the year ended June 30, 2005, the Alexander Partnership contributed \$8,458.

### NOTE 7 - RISK MANAGEMENT

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

### NOTE 8 - COMMITMENTS AND CONTINGENCIES

**Compensated Absences** – As a result of the Alexander 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 \$7,517. No funds or reservation of net assets has been made for this commitment.

## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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### NOTE 9 - 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
Teen Parent/Child Program	\$ 16,597
Health/Safety – Car Seat Program	5,555
Health/Safety – Car Seat Program	393
Teen Parent/Child Program	145
Health/Safety – Car Seat Program	357
Total	<u>\$ 23,047</u>

- 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
Teen Parent/Child Program	\$ 2,145
Health/Safety – Car Seat Program	9,431
Total	<u>\$ 11,576</u>

**Alexander 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
Alexander County Health Department	* \$ 100,000	\$ 0	\$ 0	\$ 0
Alexander County Health Department	* 3,221			
Alexander County Department of Social Services	* 13,700			
Catawba Valley Community College	7,500			
The Mitchell Gold Company			54,537	
First Baptist Church of Taylorsville			25,970	
Alexander County Board of Education			66,780	
First Baptist Church Child Development Center-CCR&R stipends scholarships/bonuses	9,600	320		
Millerville Child Development Center -CCR&R stipends scholarships & bonuses	9,360	840		
CCR&R Bonuses - Sick Pay	25,920	2,880		
Tammy Kerns	1,000			
Debbie Hull	1,000			
	<u>171,301</u>	<u>4,040</u>	<u>147,287</u>	<u>0</u>
<b>Individuals:</b>				
Car Seats	0		11,766	
Salary Supplements	77,425		0	
	<u>77,425</u>	<u>0</u>	<u>11,766</u>	<u>0</u>
	<u>\$ 248,726</u>	<u>\$ 4,040</u>	<u>\$ 159,053</u>	<u>\$ 0</u>

\* These organizations are represented on the Partnership's Board as described in Note 3 - Service Provider Contracts with Board Member Organizations.



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

**Schedule 2**

<b>Organization Name</b>	<b>DHHS Contract</b>
Alexander County Department of Social Services *	<u>\$ 170,000</u>

\* This organization is represented on the Partnership's Board as described in Note 3 - Service Provider Contracts with Board Member Organizations.

The information on this schedule provides the service provider contract entered into by the North Carolina Department of Health and Human Services (DHHS) as described in Note 2 - Funding from Grant Awards.

**Alexander 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>				
US Department of Health and Human Services Pass-through from the North Carolina Department of Health and Human Services - Division of Child Development Child Care and Development Block Grant	93.575	DCD-0304-1	\$ 5,645	\$ 5,645
<b>Total Federal Awards</b>			<u>5,645</u>	<u>5,645</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	(21,736)	0
Early Childhood Initiatives Program (Current Year)	*	N/A	467,179	467,179
Multi-County Accounting and Contracting Grant		N/A	12,000	12,000
North Carolina Department of Health and Human Services More at Four Pre-Kindergarten Program	*	2090004281	<u>147,287</u>	<u>147,287</u>
<b>Total State Awards</b>			<u>604,730</u>	<u>626,466</u>
<b>Total Federal and State Awards</b>			<u>\$ 610,375</u>	<u>\$ 632,111</u>

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

**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 Alexander 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. 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.

**Alexander 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	\$	14,077
Computer Equipment/Printers		<u>12,566</u>
Total Property and Equipment	\$	<u><u>26,643</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.

**Alexander 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	\$	21,157
In-Kind Goods and Services		<u>18,527</u>
	\$	<u><u>39,684</u></u>

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

Cash	\$	33,405
In-Kind Goods and Services		<u>6,999</u>
	\$	<u><u>40,404</u></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.

# Winston, Williams, Creech, Evans & Company, LLP

Certified Public Accountants



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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  
Alexander County Partnership for Children  
Taylorsville, North Carolina

We have audited the accompanying financial statements of the Alexander County Partnership for Children (Alexander Partnership) as of and for the year ended June 30, 2005, and have issued our report thereon dated March 17, 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 Alexander 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. 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.

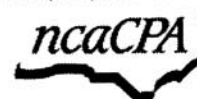
### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Alexander County Partnership's financial statements are free of material misstatement, we performed tests of its compliance

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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 (CONCLUDED)**

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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 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 Alexander County Partnership, in a separate letter dated March 17, 2006.

This report is intended solely for the information and use of the audit committee, management of the Alexander 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 17, 2006

## ORDERING INFORMATION

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