



# **STATE OF NORTH CAROLINA**

## **FINANCIAL STATEMENT AUDIT REPORT OF MADISON COUNTY PARTNERSHIP FOR CHILDREN AND FAMILIES, INC.**

**MARSHALL, NORTH CAROLINA**

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

**OFFICE OF THE STATE AUDITOR**

**LESLIE W. MERRITT, JR., CPA, CFP**

**STATE AUDITOR**

**FINANCIAL STATEMENT AUDIT REPORT OF  
MADISON COUNTY PARTNERSHIP FOR CHILDREN  
AND FAMILIES, INC.**

**MARSHALL, NORTH CAROLINA**

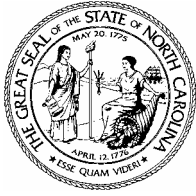
**FOR THE YEAR ENDED JUNE 30, 2005**

**BOARD OF DIRECTORS**

**JOHN HOUGH, BOARD CHAIRMAN**

**ADMINISTRATIVE OFFICER**

**NANCY ALENIER, 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, Madison County Partnership for Children and Families, Inc.

This report presents the results of our financial statement audit of the Madison County Partnership for Children and Families, Inc. (Madison Partnership) for the year ended June 30, 2005. Our audit was made by authority of Article 5A of Chapter 147 of the *North Carolina General Statutes*.

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

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

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

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

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

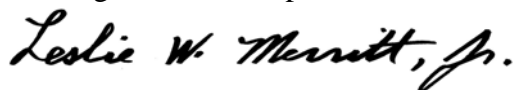
## AUDITOR'S TRANSMITTAL (CONCLUDED)

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

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

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

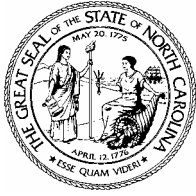


Leslie W. Merritt, Jr., CPA, CFP  
State Auditor

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**INDEPENDENT AUDITOR'S REPORT**

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Board of Directors  
Madison County Partnership for Children and Families, Inc.  
Marshall, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Madison County Partnership for Children and Families, Inc. (Madison 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 Madison 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 Madison County Partnership for Children and Families, Inc. 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 May 24, 2006 on our consideration of the Madison 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

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Madison County Partnership for Children and Families, Inc.'s basic financial statements. The information in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Schedules 1 through 4 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.



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

May 24, 2006

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

**Exhibit A**

	<b>Unrestricted Funds</b>		<b>Temporarily Restricted Funds</b>	<b>Total Funds</b>
	<b>Smart Start Fund</b>	<b>Other Funds</b>		
<b>Receipts:</b>				
State Awards (less refunds of \$27,821)	\$ 478,902	\$ 10,630	\$ 0	\$ 489,532
Private Contributions		4,619	2,201	6,820
Interest and Investment Earnings		418		418
Sales Tax Refunds		680		680
<b>Total Receipts</b>	<b>478,902</b>	<b>16,347</b>	<b>2,201</b>	<b>497,450</b>
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions		1,349	(1,349)	
	<b>478,902</b>	<b>17,696</b>	<b>852</b>	<b>497,450</b>
<b>Expenditures:</b>				
Programs:				
Child Care and Education Affordability	147,189			147,189
Child Care and Education Quality	106,908	1,989		108,897
Family Support	47,750	2,108		49,858
Health and Safety	50,823			50,823
Support:				
Management and General	105,020	12,621		117,641
Program Coordination	47,621			47,621
Other:				
Refund of Prior Year Grant		179		179
Sales Tax Paid		1,071		1,071
<b>Total Expenditures</b>	<b>505,311</b>	<b>17,968</b>		<b>523,279</b>
<b>Excess of Receipts Over Expenditures</b>	<b>(26,409)</b>	<b>(272)</b>	<b>852</b>	<b>(25,829)</b>
<b>Net Assets at Beginning of Year</b>	<b>26,409</b>	<b>3,459</b>	<b>1,606</b>	<b>31,474</b>
<b>Net Assets at End of Year</b>	<b>\$ 0</b>	<b>\$ 3,187</b>	<b>\$ 2,458</b>	<b>\$ 5,645</b>
<b>Net Assets Consisted of:</b>				
Cash and Cash Equivalents	\$ 3,140	\$ 3,187	\$ 2,458	\$ 8,785
Refunds Due From Contractors	3,007			3,007
	<b>6,147</b>	<b>3,187</b>	<b>2,458</b>	<b>11,792</b>
Less: Due to the State	6,144			6,144
Funds Held for Others	3			3
	<b>\$ 0</b>	<b>\$ 3,187</b>	<b>\$ 2,458</b>	<b>\$ 5,645</b>

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



***Madison County Partnership for Children and Families, Inc.  
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
<b>Smart Start Fund:</b>									
<b>Programs:</b>									
Child Care and Education Affordability	\$ 147,189	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 147,189	\$ 0
Child Care and Education Quality	106,908	69,505	325	3,740	13,792	6,208	1,814	11,216	308
Family Support	47,750							47,750	
Health and Safety	50,823							50,823	
	<u>352,670</u>	<u>69,505</u>	<u>325</u>	<u>3,740</u>	<u>13,792</u>	<u>6,208</u>	<u>1,814</u>	<u>256,978</u>	<u>308</u>
<b>Support:</b>									
Management and General	105,020	77,316		2,045	12,219	11,536	1,904		
Program Coordination	47,621	44,261		633	1,180	1,488	59		
	<u>152,641</u>	<u>121,577</u>		<u>2,678</u>	<u>13,399</u>	<u>13,024</u>	<u>1,963</u>		
<b>Total Smart Start Fund Expenditures</b>	<u>\$ 505,311</u>	<u>\$ 191,082</u>	<u>\$ 325</u>	<u>\$ 6,418</u>	<u>\$ 27,191</u>	<u>\$ 19,232</u>	<u>\$ 3,777</u>	<u>\$ 256,978</u>	<u>\$ 308</u>
<b>Other Funds:</b>									
<b>Programs:</b>									
Child Care and Education Quality	\$ 1,989	\$ 0	\$ 0	\$ 1,983	\$ 6	\$ 0	\$ 0	\$ 0	\$ 0
Family Support	2,108			234	26		1,349	500	
	<u>4,097</u>			<u>2,217</u>	<u>32</u>		<u>1,349</u>	<u>500</u>	
<b>Support:</b>									
Management and General	12,621		10,497	2,000	109	15			
<b>Other:</b>									
Refund of Prior Year Grant	179				179				
Sales Tax Paid	1,071			1,071					
	<u>1,250</u>			<u>1,071</u>	<u>179</u>				
<b>Total Other Funds Expenditures</b>	<u>\$ 17,968</u>	<u>\$ 0</u>	<u>\$ 10,497</u>	<u>\$ 5,288</u>	<u>\$ 320</u>	<u>\$ 15</u>	<u>\$ 1,349</u>	<u>\$ 500</u>	<u>\$ 0</u>

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

**MADISON COUNTY PARTNERSHIP FOR CHILDREN AND FAMILIES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization and Purpose** – The Madison County Partnership for Children and Families, Inc. (Madison Partnership) is a legally separate nonprofit organization incorporated on June 20, 1997. The Madison Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Madison 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 Madison 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 Madison 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 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 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. Funds Held For Others** – Funds held for others includes amounts received that are fiduciary in nature in which the Madison Partnership acts in an agency capacity. For the year fiscal year ended, the Madison Partnership was holding \$3 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, Madison Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 3 of this report. The Madison 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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are not recorded in the financial statements. Expenditures related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid leave that would be due to employees upon termination is reported as a commitment in Note 9.

- J. Use of Estimates** – The preparation of financial statements in conformity with the modified cash basis of accounting used by the Madison 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

The Madison Partnership has an Automated Investment Plan to invest excess balances over an established target amount. The investment is in the bank's government securities and is not insured by the FDIC. Consequently, the Madison Partnership bank deposits in excess of the FDIC insured limit totaled \$51,000 at June 30, 2005.

### NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Madison Partnership is responsible for developing a comprehensive, collaborative, long-range plan of services to children and families for the service-delivery area.

The Madison Partnership was awarded \$511,496 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Madison Partnership has returned \$6,143 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2005.

The Madison Partnership was awarded and has received \$12,000 under a current year Smart Start contract with NCPC for Multi-County Accounting and Contracting (MAC). The unexpended balance of this contract is subject to reversion to the State. The Madison Partnership has returned \$1,394 of this

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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contract to the State based on reports submitted to NCPC subsequent to June 30, 2005.

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

### NOTE 4 - RELATED PARTY TRANSACTIONS

**Service Provider Contracts with Board Member Organizations** – The board members of the Madison Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Madison Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Madison Partnership entered into contracts with board member organizations for program activities as identified on Schedule 1 accompanying the financial statements.

### 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 child care subsidy programs outside of the Division of Child Development (DCD) and supplements for quality outside DCD.

**Child Care and Education Quality** – Used to account for service activities including child care resource and referral, and professional development

**Family Support** – Used to account for service activities including ongoing parenting education.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### B. Support Functions

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

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

### 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** – Occupancy costs (rent and janitorial) were allocated based on space allocation and utilization derived from employee time reports.

### NOTE 6 - OPERATING LEASE OBLIGATIONS

Rental expense for all operating leases during the year was \$11,496.

### NOTE 7 - PENSION PLAN

**Retirement Plans** – The Madison Partnership has a SIMPLE - IRA Plan covering all full-time employees. Each full-time employee of the Madison Partnership has an option to participate in the Plan. An Individual Retirement Account is provided to the employee through an outside financial institution. The Madison Partnership contributed 3% of gross wages for the year ended June 30, 2005; each employee also contributed 3% of his/her gross wages for the year. The Madison Partnership does not own the accounts nor is liable for any other cost other than the required contribution. The Madison Partnership contributed \$3,985 for pension benefits during the year.

### NOTE 8 - RISK MANAGEMENT

The Madison Partnership is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; injuries to

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

employees; employees' health and life; and natural disasters. The Madison 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 Madison Partnership. There have not been any claims in any of the past three fiscal years.

### NOTE 9 - COMMITMENTS AND CONTINGENCIES

**Compensated Absences** – As a result of the Madison 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 \$11,245. 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:

<u>Purpose</u>	<u>Amount</u>
Children's Books	\$ 2,000
Child Care Provider Recognition	201
Outdoor Learning Environment	<u>257</u>
	<u>\$ 2,458</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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- 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:

<u>Purpose</u>	<u>Amount</u>
Outdoor Learning Environment	<u>\$ 1,349</u>



***Madison County Partnership for Children and Families, Inc.***  
***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>
Buncombe County Child Care Services	\$ 159,828	\$ (1,423)	\$ 0	\$ 0
Madison County Health Department	* 52,407	(1,584)		
Puckett Institute Learning Alliance	47,750		500	
	<u>\$ 259,985</u>	<u>\$ (3,007)</u>	<u>\$ 500</u>	<u>\$ 0</u>

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

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

***Schedule 2***

<u>State Grantor/Pass-through Grantor/Program</u>	<u>Contract #</u>	<u>Receipts</u>	<u>Expenditures</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)	1-12-5-17-001	\$ (26,451)	\$ (42)
Early Childhood Initiatives Program (Current Year)	* N/A	505,353	505,353
Multi-County Accounting and Contracting Grant (Prior Year)	N/A	(1,370)	
Multi-County Accounting and Contracting Grant (Current Year)	N/A	12,000	10,606
<b>Total State Awards</b>		<b>\$ 489,532</b>	<b>\$ 515,917</b>

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

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

***Schedule 3***

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Furniture and Noncomputer Equipment	\$	3,754
Computer Equipment/Printers		<u>7,796</u>
Total Property and Equipment	\$	<u><u>11,550</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.

***Madison County Partnership for Children and Families, Inc.***  
***Schedule of Qualifying Match (Non-GAAP)***  
***For the Year Ended June 30, 2005***

***Schedule 4***

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

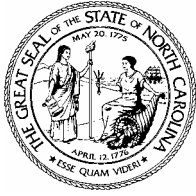
Cash	\$	6,869
In-Kind Goods and Services		16,273
		<hr/>
	\$	23,142
		<hr/>

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

Cash	\$	42,445
In-Kind Goods and Services		9,697
		<hr/>
	\$	52,142
		<hr/>

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

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

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

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

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Board of Directors  
Madison County Partnership for Children and Families, Inc.  
Marshall, North Carolina

We have audited the financial statements of the Madison County Partnership for Children and Families, Inc. (Madison Partnership) as of and for the year ended June 30, 2005, and have issued our report thereon dated May 24, 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.

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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Madison 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.

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GOVERNMENT AUDITING STANDARDS (CONCLUDED)**

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Madison 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 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 Madison Partnership, The North Carolina Partnership for Children, Inc., the Governor, and the General Assembly and is not intended to be and should not be used by anyone other than these specified parties.



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

May 24, 2006

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