

**Financial Statement Audit Report of  
Smart Start of Transylvania County  
Brevard, North Carolina  
For the Year Ended June 30, 2005**

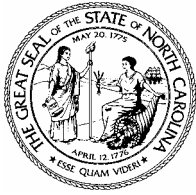
Performed Under Contract With the  
North Carolina Office of the State Auditor

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

**Financial Statement Audit Report of  
Smart Start of Transylvania County  
Brevard, North Carolina  
For the Year Ended June 30, 2005**

**Board of Directors  
Linda Lockett, Chair**

**Administrative Officer  
Vickie Collier, 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, Smart Start of Transylvania County

This report presents the results of the financial statement audit of Smart Start of Transylvania County 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 Smart Start of Transylvania County 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 Smart Start of Transylvania County is one of these local partnerships. As such, the Smart Start of Transylvania County is a private nonprofit 501(c)(3) organization and is required by G.S. 143B-168.14 to have an annual financial and compliance audit conducted by the State Auditor. The State Auditor's authority to perform or coordinate all audit functions for state government is set forth in Article 5 of Chapter 147 of the *North Carolina General Statutes*.

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

*Leslie W. Merritt, Jr.*

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

## TABLE OF CONTENTS

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	PAGE
INDEPENDENT AUDITOR’S REPORT	1
FINANCIAL STATEMENTS	
EXHIBITS	
A – Statement of Receipts, Expenditures, and Net Assets – Modified Cash	3
B – Statement of Functional Expenditures – Modified Cash Basis	4
Notes to the Financial Statements	5
SUPPLEMENTARY SCHEDULES	
1 Schedule of Contract and Grant Expenditures – Modified Cash Basis	11
2 Schedule of State Level Service Provider Contracts	12
3 Schedule of State Awards – Modified Cash Basis	13
4 Schedule of Property and Equipment – Modified Cash Basis	14
5 Schedule of Qualifying Match (Non-GAAP)	15
Independent Auditor’s Report of Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with <i>Government Auditing Standards</i>	17
Ordering Information	19

# 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  
Smart Start of Transylvania County  
Brevard, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Smart Start of Transylvania County (Transylvania 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 Transylvania 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.

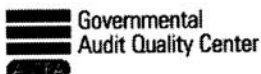
As described in Note 1, the accompanying financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of Smart Start of Transylvania County as of June 30, 2005, and the results of its operations arising from modified cash basis transactions for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards* we have also issued a report dated March 21, 2006 on our consideration of the Transylvania Partnership's internal control

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## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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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 Smart Start of Transylvania County'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 21, 2006

**Smart Start of Transylvania County**  
**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 \$5,335)	\$ 182,498	\$ 116,799	\$ 0	\$ 299,297
Local Awards	0	14,486	0	14,486
Private Contributions	0	0	3,125	3,125
Interest and Investment Earnings	0	55	0	55
Sales Tax Refunds	0	436	0	436
<b>Total Receipts</b>	<b>182,498</b>	<b>131,776</b>	<b>3,125</b>	<b>317,399</b>
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	0	0	0	0
	<b>182,498</b>	<b>131,776</b>	<b>3,125</b>	<b>317,399</b>
<b>Expenditures:</b>				
Programs:				
Child Care and Education Quality	40,070	42	0	40,112
Family Support	0	19,035	0	19,035
Health and Safety	28,385	0	0	28,385
More at Four	0	105,732	0	105,732
Support:				
Management and General	95,628	12,230	0	107,858
Program Evaluation	20,324	0	0	20,324
Other:				
Refund of Prior Year Grant	0	38	0	38
Sales Tax Paid	0	345	0	345
<b>Total Expenditures</b>	<b>184,407</b>	<b>137,422</b>	<b>0</b>	<b>321,829</b>
<b>Excess of Receipts Over Expenditures</b>	<b>(1,909)</b>	<b>(5,646)</b>	<b>3,125</b>	<b>(4,430)</b>
<b>Net Assets at Beginning of Year</b>	<b>1,909</b>	<b>2,851</b>	<b>0</b>	<b>4,760</b>
<b>Net Assets at End of Year</b>	<b>\$ 0</b>	<b>\$ (2,795)</b>	<b>\$ 3,125</b>	<b>\$ 330</b>
<b>Net Assets Consisted of:</b>				
Cash and Cash Equivalents	\$ 475	\$ (2,795)	\$ 3,125	\$ 805
Refunds Due From Contractors	2,018	0	0	2,018
	<b>2,493</b>	<b>(2,795)</b>	<b>3,125</b>	<b>2,823</b>
Less: Due to the Primary Government	(2,493)	0	0	(2,493)
	<b>\$ 0</b>	<b>\$ (2,795)</b>	<b>\$ 3,125</b>	<b>\$ 330</b>

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

**Smart Start of Transylvania County**  
**Statement of Functional Expenditures - Modified Cash Basis**  
**For the Year Ended June 30, 2005**

**Exhibit B**

	<b>Total</b>	<b>Personnel</b>	<b>Contracted Services</b>	<b>Supplies and Materials</b>	<b>Other Operating Expenditures</b>	<b>Fixed Charges and Other Expenditures</b>	<b>Property and Equipment Outlay</b>	<b>Services/Contracts/Grants</b>
<b>Smart Start Fund:</b>								
<b>Programs:</b>								
Child Care and Education Quality	\$ 40,070	\$ 9,521	\$ 0	\$ 200	\$ 0	\$ 0	\$ 0	\$ 30,349
Health and Safety	28,385	0	0	0	0	0	0	28,385
	<u>68,455</u>	<u>9,521</u>	<u>0</u>	<u>200</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>58,734</u>
<b>Support:</b>								
Management and General	95,628	67,992	5,570	2,549	10,099	7,498	1,920	0
Program Evaluation	20,324	0	0	0	0	0	0	20,324
	<u>115,952</u>	<u>67,992</u>	<u>5,570</u>	<u>2,549</u>	<u>10,099</u>	<u>7,498</u>	<u>1,920</u>	<u>20,324</u>
<b>Total Smart Start Fund Expenditures</b>	<b>\$ 184,407</b>	<b>\$ 77,513</b>	<b>\$ 5,570</b>	<b>\$ 2,749</b>	<b>\$ 10,099</b>	<b>\$ 7,498</b>	<b>\$ 1,920</b>	<b>\$ 79,058</b>
<b>Other Funds:</b>								
<b>Programs:</b>								
Child Care and Education Quality	\$ 42	\$ 0	\$ 0	\$ 42	\$ 0	\$ 0	\$ 0	\$ 0
Family Support	19,035	0	375	0	0	0	0	18,660
More at Four	105,732	0	0	0	0	0	0	105,732
	<u>124,809</u>	<u>0</u>	<u>375</u>	<u>42</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>124,392</u>
<b>Support:</b>								
Management and General	12,230	3,673	8,327	80	0	150	0	0
<b>Other:</b>								
Refund of Prior Year Grant	38	0	0	0	38	0	0	0
Sales Tax Paid	345	0	0	345	0	0	0	0
	<u>383</u>	<u>0</u>	<u>0</u>	<u>345</u>	<u>38</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Other Funds Expenditures</b>	<b>\$ 137,422</b>	<b>\$ 3,673</b>	<b>\$ 8,702</b>	<b>\$ 467</b>	<b>\$ 38</b>	<b>\$ 150</b>	<b>\$ 0</b>	<b>\$ 124,392</b>

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



**SMART START OF TRANSYLVANIA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

- A. Organization and Purpose** – Smart Start of Transylvania County (Transylvania Partnership) is a legally separate nonprofit organization incorporated on April 1, 1996. Transylvania Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. Transylvania 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 Transylvania 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 Transylvania 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 Carolina are recognized as a reduction to expenditures and an increase to net assets. Amounts withheld from employee paychecks or

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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other amounts received in an agency capacity are recorded as funds held for others. In addition, Smart Start funds advanced to the local Partnership that are unexpended and unearned at year-end are recorded as a Due to the Primary Government.

- D. Cash and Cash Equivalents** – This classification appears on the Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis and includes all demand and savings accounts and certificate of deposits or short-term investments with an original maturity of three months or less.
- E. 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. Funds Held For Others** – Funds held for others includes amounts received that are fiduciary in nature in which the Partnership acts in an agency capacity. For the year ended, Transylvania Partnership was not holding amounts in an agency capacity
- 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, Transylvania Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. Transylvania 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 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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**J. Use of Estimates** - The preparation of financial statements in conformity with the other comprehensive basis of accounting used by the Transylvania 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 Transylvania 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 Transylvania Partnership and represents a concentration of credit risk as to the generation of revenue.

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

The Transylvania Partnership was awarded and has received \$186,900 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. Transylvania Partnership has returned \$2,493 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2005.

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

**More at Four** – Transylvania Partnership also received revenue and support from the State of North Carolina for the More at Four Program. The Transylvania Partnership was awarded \$106,800 and received \$105,732 under a current year cost-reimbursement contract. The Transylvania 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 Transylvania Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Transylvania Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Transylvania 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 Transylvania 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:

#### A. Program Functions

**Child Care and Education Quality** - Used to account for service activities including child care resource and referral, professional development, salary supplements and kindergarten orientation/transition.

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

**Health and Safety** - Used to account for service activities associated with oral 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 expenditures for the overall direction of the organization, its general board

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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activities, business management, general recordkeeping, budgeting, and related purposes.

**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.

### NOTE 5 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	\$ 3,360
2007	<u>2,520</u>
Total Minimum Lease Payments	<u>\$ 5,880</u>

Rental expense for all operating leases during the year was \$3,360.

### NOTE 6 - PENSION PLAN

Transylvania Partnership did not have a pension plan in place for its employees. However, each employee of the Transylvania Partnership is provided, as part of the benefit package, an additional 6% of his/her salary to be applied to a Simplified Employee Pension plan (SEP Plan). The Transylvania Partnership has no liability for any other cost other than the required percentage. The Transylvania Partnership contributed \$3,903 for retirement benefits during the year.

## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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### NOTE 7 - RISK MANAGEMENT

The Transylvania 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 Transylvania 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 Transylvania 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 Transylvania 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 \$2,166. No funds or reservation of net assets has been made for this commitment.

### NOTE 9 - RESTRICTIONS ON NET ASSETS

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

<i>Purpose</i>	<u>Amount</u>
Outreach and Education	\$ <u>3,125</u>

**Smart Start of Transylvania County**  
**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
Education Stipends (Professionals through Development)	\$ 11,700	\$ 0	\$ 0	\$ 0
Transylvania County Child Development *	15,200	27		
Transylvania County Health Department *	30,200	1,815		
Transylvania County Schools			* 63,012	
Western Carolina Community Action			42,720	
The Children's Center			18,660	
	<u>57,100</u>	<u>1,842</u>	<u>124,392</u>	<u>0</u>
<b>Individuals:</b>				
Education Stipends (Professionals through Development)	3,476			
Program Evaluation	20,500	176		
	<u>23,976</u>	<u>176</u>	<u>0</u>	<u>0</u>
	<u>\$ 81,076</u>	<u>\$ 2,018</u>	<u>\$ 124,392</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.

***Smart Start of Transylvania County  
Schedule of State Level Service Provider Contracts  
For the Year Ended June 30, 2005***

***Schedule 2***

<b>Organization Name</b>	<b>DHHS Contracts</b>
Child Care Services Association-WAGE\$ Program	\$ 64,847
Transylvania County Department of Social Services	* 150,300
	<u>\$ 215,147</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 contracts entered into by the North Carolina Department of Health and Human Services (DHHS) as described in Note 2 - Funding from Grant Awards.



**Smart Start of Transylvania County  
Schedule of State Awards - Modified Cash Basis  
For the Year Ended June 30, 2005**

**Schedule 3**

State Grantor/Pass-through Grantor/Program	Contract #	Receipts	Expenditures
<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	(1,909)	-
Early Childhood Initiatives Program (Current Year)	N/A	184,407	184,407
Multi-County Accounting and Contracting Grant (Prior Year)	N/A	(933)	-
Multi-County Accounting and Contracting Grant (Current Year)	N/A	12,000	12,000
North Carolina Department of Health and Human Services			
More at Four Pre-Kindergarten Program	2090004350	105,732	105,732
<b>Total State Awards</b>		<b>\$ 299,297</b>	<b>\$ 302,139</b>

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

**Notes to the Schedule of State Awards - Modified Cash Basis**

1. The accompanying schedule of state awards includes the State grant activity of the Transylvania County Smart Start 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.

***Smart Start of Transylvania County  
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	\$	4,741
Computer Equipment/Printers		7,565
Leasehold Improvements		<u>1,290</u>
Total Property and Equipment	\$	<u><u>13,596</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.

**Smart Start of Transylvania County  
Schedule of Qualifying Match (Non-GAAP)  
For the Year Ended June 30, 2005**

**Schedule 5**

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

Cash	\$	20,606
In-Kind Goods and Services		<u>33,936</u>
	\$	<u><u>54,542</u></u>

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

Cash	\$	6,506
In-Kind Goods and Services		<u>24,095</u>
	\$	<u><u>30,601</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.

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

Certified Public Accountants



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James P. Winston II, CPA  
Gary L. Williams, CPA  
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Jennifer T. Reese, CPA  
Elizabeth H. Jackson, CPA  
Traig B. Neal, CPA

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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  
Smart Start of Transylvania County  
Brevard, North Carolina

We have audited the accompanying financial statements of the Smart Start of Transylvania County (Transylvania Partnership) as of and for the year ended June 30, 2005, and have issued our report thereon dated March 21, 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 Transylvania 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.

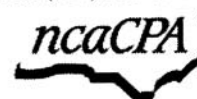
### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Transylvania 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 Transylvania Partnership, in a separate letter dated March 21, 2006.

This report is intended solely for the information and use of the audit committee, management of the Transylvania 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 21, 2006

## ORDERING INFORMATION

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