

**FINANCIAL STATEMENT AUDIT REPORT OF**  
**UNION COUNTY PARTNERSHIP FOR CHILDREN**  
**MONROE, 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**

**UNION COUNTY PARTNERSHIP FOR CHILDREN**

**MONROE, NORTH CAROLINA**

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

**BOARD OF DIRECTORS**

**GLORIA BAKER, BOARD CHAIRMAN**

**ADMINISTRATIVE OFFICER**

**MARY ANN RASBERRY, 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, Union County Partnership for Children

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

The audit of the Union 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 Union County Partnership for Children is one of these local partnerships. As such, the Union 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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**INDEPENDENT AUDITOR'S REPORT**

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Board of Directors  
Union County Partnership for Children  
Monroe, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Union County Partnership for Children (Union 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 Union 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 Union County Partnership for Children as of June 30, 2005, and the results of its operations arising from modified cash basis transactions for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2006, on our consideration of the Union 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

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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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. 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 Union Partnership'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, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information in Schedule 2 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on Schedule 2.

*Tichenor & Associates, LLP*

Tichenor & Associates, LLP

March 24, 2006

**Union 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 \$11,446)	\$ 1,083,338	\$ 12,000	\$ 0	\$ 1,095,338
Local Awards	0	37,000	0	37,000
Private Contributions	0	47,289	25,149	72,438
Special Fund Raising Events	0	8,798	0	8,798
Interest and Investment Earnings	0	1,467	0	1,467
Sales Tax Refunds	0	3,045	0	3,045
Other Receipts	0	10,494	0	10,494
<b>Total Receipts</b>	<b>1,083,338</b>	<b>120,093</b>	<b>25,149</b>	<b>1,228,580</b>
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	0	19,210	(19,210)	0
	<b>1,083,338</b>	<b>139,303</b>	<b>5,939</b>	<b>1,228,580</b>
<b>Expenditures:</b>				
Programs:				
Child Care and Education Affordability	135,375	39,778	0	175,153
Child Care and Education Quality	483,862	42,907	0	526,769
Family Support	85,157	7,500	0	92,657
Health and Safety	135,054	24,124	0	159,178
Support:				
Management and General	194,591	19,211	0	213,802
Program Coordination	9,500	589	0	10,089
Program Evaluation	50,989	230	0	51,219
Other:				
Sales Tax Paid	0	1,001	0	1,001
<b>Total Expenditures</b>	<b>1,094,528</b>	<b>135,340</b>	<b>0</b>	<b>1,229,868</b>
<b>Excess of Receipts Over Expenditures</b>	<b>(11,190)</b>	<b>3,963</b>	<b>5,939</b>	<b>(1,288)</b>
<b>Net Assets at Beginning of Year</b>	<b>11,190</b>	<b>13,153</b>	<b>38,490</b>	<b>62,833</b>
<b>Net Assets at End of Year</b>	<b>\$ 0</b>	<b>\$ 17,116</b>	<b>\$ 44,429</b>	<b>\$ 61,545</b>
<b>Net Assets Consisted of:</b>				
Cash and Cash Equivalents	\$ 471	\$ 17,116	\$ 44,429	\$ 62,016
Refunds Due From Contractors	710	0	0	710
	<b>1,181</b>	<b>17,116</b>	<b>44,429</b>	<b>62,726</b>
Less: Due to the State	(1,181)	0	0	(1,181)
	<b>\$ 0</b>	<b>\$ 17,116</b>	<b>\$ 44,429</b>	<b>\$ 61,545</b>

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

**Union County Partnership for Children  
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 Affordability	\$ 135,375	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 135,375
Child Care and Education Quality	483,862	12,656	0	321	645	1,691	0	468,549
Family Support	85,157	20,459	2,000	3,450	1,915	4,235	1,098	52,000
Health and Safety	135,054	0	0	0	0	0	0	135,054
	<u>839,448</u>	<u>33,115</u>	<u>2,000</u>	<u>3,771</u>	<u>2,560</u>	<u>5,926</u>	<u>1,098</u>	<u>790,978</u>
<b>Support:</b>								
Management and General	194,591	149,776	1,464	2,320	22,588	18,443	0	0
Program Coordination	9,500	9,467	0	0	33	0	0	0
Program Evaluation	50,989	44,105	203	1,106	2,179	3,396	0	0
	<u>255,080</u>	<u>203,348</u>	<u>1,667</u>	<u>3,426</u>	<u>24,800</u>	<u>21,839</u>	<u>0</u>	<u>0</u>
<b>Total Smart Start Fund Expenditures</b>	<b><u>\$ 1,094,528</u></b>	<b><u>\$ 236,463</u></b>	<b><u>\$ 3,667</u></b>	<b><u>\$ 7,197</u></b>	<b><u>\$ 27,360</u></b>	<b><u>\$ 27,765</u></b>	<b><u>\$ 1,098</u></b>	<b><u>\$ 790,978</u></b>
<b>Other Funds:</b>								
<b>Programs:</b>								
Child Care and Education Affordability	\$ 39,778	\$ 0	\$ 0	\$ 2,778	\$ 0	\$ 0	\$ 0	\$ 37,000
Child Care and Education Quality	42,907	25,596	0	414	1,330	4,575	696	10,296
Family Support	7,500	0	0	0	0	0	0	7,500
Health and Safety	24,124	0	0	0	0	0	0	24,124
	<u>114,309</u>	<u>25,596</u>	<u>0</u>	<u>3,192</u>	<u>1,330</u>	<u>4,575</u>	<u>696</u>	<u>78,920</u>
<b>Support:</b>								
Management and General	19,211	340	12,000	661	1,293	368	4,549	0
Program Coordination	589	589	0	0	0	0	0	0
Program Evaluation	230	0	0	0	0	0	230	0
	<u>20,030</u>	<u>929</u>	<u>12,000</u>	<u>661</u>	<u>1,293</u>	<u>368</u>	<u>4,779</u>	<u>0</u>
<b>Other:</b>								
Sales Tax Paid	1,001	0	0	1,001	0	0	0	0
	<u>1,001</u>	<u>0</u>	<u>0</u>	<u>1,001</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Other Funds Expenditures</b>	<b><u>\$ 135,340</u></b>	<b><u>\$ 26,525</u></b>	<b><u>\$ 12,000</u></b>	<b><u>\$ 4,854</u></b>	<b><u>\$ 2,623</u></b>	<b><u>\$ 4,943</u></b>	<b><u>\$ 5,475</u></b>	<b><u>\$ 78,920</u></b>

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

**UNION 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 Union County Partnership for Children (Union Partnership) is a legally separate nonprofit organization incorporated on April 24, 1998. The Union Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Union 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 Union 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 Union 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. Property and Equipment** – Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year occurred. However, Union Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Union 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 9.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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- I. **Use of Estimates** - The preparation of financial statements in conformity with the other comprehensive basis of accounting used by the Union Partnership requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as allocation of joint costs); accordingly, actual results could differ from those estimates. It is management's belief that these estimates are reasonable and fair.

### NOTE 2 - DEPOSITS

All funds of the Union Partnership are deposited with a commercial bank and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Deposits over this amount subjects the Union Partnership to a concentration of credit risk. At June 30, 2005, the Union Partnership's bank deposits in excess of the FDIC insured limit was \$43,143.

### NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Union 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 Union 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 Union Partnership was awarded and has received \$1,095,965 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Union Partnership has returned \$1,181 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2005.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### NOTE 4 - RELATED PARTY TRANSACTIONS

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

### 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 pre-K classes, public pre-K classes, or part-day care programs.

**Child Care and Education Quality** - Used to account for service activities including child care resource and referral, professional development, special needs – support for child care professionals, or learning materials and teaching aids.

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

**Health and Safety** - Used to account for service activities including comprehensive screenings, prenatal/newborn services, or child abuse and neglect intervention.

#### B. Support Functions

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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conduct of those activities and to an organization's existence, including expenditures for the overall direction of the organization, its general board activities, business management, general recordkeeping, budgeting, and related purposes.

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

**Program Evaluation** - Expenditures that are incurred to monitor the performance of service providers as to the delivery of services and adherence to the specific terms and conditions of the contracts.

### C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

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

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

<u>Allocated Expenses</u>	<u>Amount</u>
Salaries and Benefits	\$ 72,596
Other Costs	<u>30,850</u>
Total Allocated Costs	<u>\$ 103,446</u>

### NOTE 6 - OPERATING LEASE OBLIGATIONS

Future minimum lease payments under non-cancelable operating leases at June 30, 2005 was \$25,200 for fiscal year 2006. Rental expense for all operating leases during the year was \$25,200.

### NOTE 7 - PENSION PLAN

**Deferred Compensation and Supplemental Retirement Income Plans - IRC Section 403(b) Plan** - All employees can participate in a tax sheltered annuity plan (Plan) created under Internal Revenue Code Section 403(b). The Plan is a defined contribution plan in which each employee of the Union Partnership, as a condition of employment, is provided an individual annuity

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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through an outside insurance company. The Union Partnership contributed 6% of gross wages for the year ended June 30, 2005, for those employees who have been employed over six months and contributed 2% or more of their compensation as an elective deferral. The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These Plans are exclusively for employees of universities and certain charitable and other nonprofit organizations. All costs of administering and funding these Plans are the responsibility of the Plan participants. The Union Partnership contributed \$10,976 for retirement benefits during the year.

### NOTE 8 - RISK MANAGEMENT

The Union Partnership is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; physical property loss and natural disasters. The Union 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 Union Partnership. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

### NOTE 9 - COMMITMENTS AND CONTINGENCIES

**Compensated Absences** – As a result of the Union Partnership's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (paid time off leave) and any employer-related costs earned and unpaid, are not reflected in the financial statements. The compensated absences commitment for paid time off leave at June 30, 2005, is \$5,288. No funds or reservation of net assets has been made for this commitment.

## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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### NOTE 10 - RESTRICTIONS ON NET ASSETS

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

Purpose	Amount
Family Support	\$ 19,280
Latino Outreach	13,849
Health Services and Support - Bilingual	11,300
	<u>\$ 44,429</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
Folic Acid Program	\$ 5,722
Smoke Free Babies Program	5,877
Pre-K Ready To Succeed Program	7,611
	<u>\$ 19,210</u>

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

***Schedule 1***

<b>Organization Name</b>	<b>Smart Start Fund</b>		<b>Other Funds</b>	
	<b>Amount Advanced</b>	<b>Refund Due</b>	<b>Amount Advanced</b>	<b>Refund Due</b>
<b><i>Paid to Organizations:</i></b>				
Child Care Resources, Inc.	* \$ 160,000	\$ 0	\$ 10,296	\$ 0
City of Monroe	0	0	37,000	0
South Piedmont Community College	* 198,250	(227)	0	0
The Arc of Union County	60,408	0	0	0
Thompson Children's Home	110,526	0	0	0
Union County Community Action	* 42,000	0	0	0
Union County Health Department	* 77,537	(483)	24,124	0
Union County Public Schools	* 84,967	0	0	0
United Family Services	58,000	0	0	0
United Way	* 0	0	7,500	0
	<u>\$ 791,688</u>	<u>\$ (710)</u>	<u>\$ 78,920</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.

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

***Schedule 2***

<b>Organization Name</b>	<b>DHHS Contracts</b>
Child Care Services Association - WAGE\$ Program	\$ 189,863
Union County Department of Social Services	* <u>1,148,634</u>
	<u>\$ 1,338,497</u>

\* This organization is represented on the Partnership's Board as described in Note 4 - Service Provider Contracts with Board Member Organizations.

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

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

***Schedule 3***

<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)	N/A	\$ (11,446)	\$ (256)
Early Childhood Initiatives Program (Current Year)	N/A *	1,094,784	1,094,784
Multi-County Accounting and Contracting Grant	N/A	<u>12,000</u>	<u>12,000</u>
<b>Total State Awards</b>		<u><u>\$ 1,095,338</u></u>	<u><u>\$ 1,106,528</u></u>

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

***Union 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	\$ 25,121
Computer Equipment/Printers	<u>47,991</u>
Total Property and Equipment	<u><u>\$ 73,112</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.

**Union 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	\$	108,964
In-Kind Goods and Services		<u>37,257</u>
	\$	<u><u>146,221</u></u>

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

Cash	\$	185,436
In-Kind Goods and Services		<u>29,352</u>
	\$	<u><u>214,788</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.

# TICHENOR & ASSOCIATES, LLP

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

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Board of Directors  
Union County Partnership for Children  
Monroe, North Carolina

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

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Union Partnership's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Union 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

**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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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 Union Partnership, The North Carolina Partnership for Children, Inc., the Governor, and the General Assembly and is not intended to be and should not be used by anyone other than these specified parties.

*Tichenor & Associates, LLP*

Tichenor & Associates, LLP

March 24, 2006

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

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**Finding**

CONTRACT MANAGEMENT

*Status:* Corrected

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## ORDERING INFORMATION

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

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State of North Carolina  
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