



STATE OF NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT OF THE PARTNERSHIP FOR CHILDREN OF WAYNE COUNTY, INC.

GOLDSBORO, 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
THE PARTNERSHIP FOR CHILDREN OF WAYNE COUNTY, INC.

GOLDSBORO, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2005

BOARD OF DIRECTORS

SUDIE DAVIS, BOARD CHAIR

ADMINISTRATIVE OFFICER

DONALD J. MAGOON, EXECUTIVE DIRECTOR



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

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AUDITOR'S TRANSMITTAL

The Honorable Michael F. Easley, Governor
The General Assembly of North Carolina
Board of Directors, The Partnership for Children of Wayne County, Inc.

This report presents the results of our financial statement audit of The Partnership for Children of Wayne County, Inc. (Wayne 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 Wayne 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 Wayne 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 Wayne Partnership is one of these local partnerships. As such, the Wayne 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)

2. **Objective** – To present significant deficiencies, if any, in internal control over financial reporting which could adversely affect the Wayne 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*.

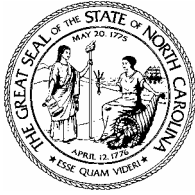
North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.



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

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Partnership for Children of Wayne County, Inc.
Goldsboro, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of The Partnership for Children of Wayne County, Inc. (Wayne 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 Wayne 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 Partnership for Children of Wayne County, 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 March 17, 2006, on our consideration of the Wayne 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)

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 Partnership for Children of Wayne County, Inc.'s basic financial statements. The information in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Schedules 1, 3, 4 and 5 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.



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

March 17, 2006

The Partnership for Children of Wayne County, Inc.
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		
Receipts:				
State Awards (less refunds of \$51,826)	\$ 1,194,558	\$ 1,655,798	\$ 0	\$ 2,850,356
Federal Awards		9,344	5	9,349
Private Contributions		25,579	22,451	48,030
Special Fund Raising Events		1,070	4,769	5,839
Interest and Investment Earnings		1,640		1,640
Sales Tax Refunds		1,998		1,998
Other Receipts		17,875		17,875
Total Receipts	1,194,558	1,713,304	27,225	2,935,087
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions		10,019	(10,019)	0
	1,194,558	1,723,323	17,206	2,935,087
Expenditures:				
Programs:				
Child Care and Education Affordability	95,000			95,000
Child Care and Education Quality	355,625	33,756		389,381
Family Support	274,203	25,997		300,200
Health and Safety	156,852			156,852
More at Four	24,810	1,641,218		1,666,028
Support:				
Management and General	172,428	12,759		185,187
Program Coordination	146,419			146,419
Other:				
Refund of Prior Year Grant		110		110
Sales Tax Paid		4,208		4,208
Total Expenditures	1,225,337	1,718,048	0	2,943,385
Excess of Receipts Over Expenditures	(30,779)	5,275	17,206	(8,298)
Net Assets at Beginning of Year	30,779	16,688	10,019	57,486
Net Assets at End of Year	\$ 0	\$ 21,963	\$ 27,225	\$ 49,188
Net Assets Consisted of:				
Cash and Cash Equivalents	\$ 14,523	\$ 21,973	\$ 27,225	\$ 63,721
Refunds Due From Contractors	6,620			6,620
	21,143	21,973	27,225	70,341
Less: Due to the State	20,937			20,937
Funds Held for Others	206	10		216
	21,143	10	0	21,153
	\$ 0	\$ 21,963	\$ 27,225	\$ 49,188

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

The Partnership for Children of Wayne County, 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
Smart Start Fund:									
Programs:									
Child Care and Education Affordability	\$ 95,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 95,000	\$ 0
Child Care and Education Quality	355,625	243,941		16,096	29,986	1,856	3,853	59,543	350
Family Support	274,203	38,245	84	45,748	12,783	604		176,739	
Health and Safety	156,852							156,852	
More at Four	24,810							24,810	
	<u>906,490</u>	<u>282,186</u>	<u>84</u>	<u>61,844</u>	<u>42,769</u>	<u>2,460</u>	<u>3,853</u>	<u>512,944</u>	<u>350</u>
Support:									
Management and General	172,428	129,328	1,066	6,733	24,285	8,779	2,137		100
Program Coordination	146,419	118,777	14,000	1,105	11,074	762	451		250
	<u>318,847</u>	<u>248,105</u>	<u>15,066</u>	<u>7,838</u>	<u>35,359</u>	<u>9,541</u>	<u>2,588</u>	<u>0</u>	<u>350</u>
Total Smart Start Fund Expenditures	<u>\$ 1,225,337</u>	<u>\$ 530,291</u>	<u>\$ 15,150</u>	<u>\$ 69,682</u>	<u>\$ 78,128</u>	<u>\$ 12,001</u>	<u>\$ 6,441</u>	<u>\$ 512,944</u>	<u>\$ 700</u>
Other Funds:									
Programs:									
Child Care and Education Quality	\$ 33,756	\$ 11,324	\$ 0	\$ 5,737	\$ 1,570	\$ 0	\$ 1,200	\$ 12,896	\$ 1,029
Family Support	25,997	18,454		3,479	4,064				
More at Four	1,641,218	75,488		4,243	3,672	680	4,501	1,551,468	1,166
	<u>1,700,971</u>	<u>105,266</u>	<u>0</u>	<u>13,459</u>	<u>9,306</u>	<u>680</u>	<u>5,701</u>	<u>1,564,364</u>	<u>2,195</u>
Support:									
Management and General	12,759	128	10,594	131	1,406	500			
Other:									
Refund of Prior Year Grant	110					110			
Sales Tax Paid	4,208			4,208					
	<u>4,318</u>	<u>0</u>	<u>0</u>	<u>4,208</u>	<u>0</u>	<u>110</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Funds Expenditures	<u>\$ 1,718,048</u>	<u>\$ 105,394</u>	<u>\$ 10,594</u>	<u>\$ 17,798</u>	<u>\$ 10,712</u>	<u>\$ 1,290</u>	<u>\$ 5,701</u>	<u>\$ 1,564,364</u>	<u>\$ 2,195</u>

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

THE PARTNERSHIP FOR CHILDREN OF WAYNE COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Organization and Purpose** – The Partnership for Children of Wayne County, Inc. (Wayne Partnership) is a legally separate nonprofit organization incorporated on September 12, 1997. The Wayne Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Wayne Partnership is tax-exempt as an organization described in Section 501(c)(3) of the Internal Revenue Code.

The Wayne Partnership changed their official name from Wayne County Partnership for Children to The Partnership for Children of Wayne County, Inc. effective June 23, 2005.

- B. Basis of Presentation** – The accompanying financial statements present all funds for which the Wayne 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 Wayne 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 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 Wayne Partnership acts in an agency capacity. For the year ended, the Wayne Partnership was holding amounts withheld from employee paychecks for distribution to employee benefit plans.
- 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, Wayne Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Wayne 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.
- J. Use of Estimates** – The preparation of financial statements in conformity with the modified cash basis of accounting used by the Wayne 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 Wayne 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 Wayne Partnership to a concentration of credit risk. At June 30, 2005, the Wayne Partnership's bank deposits in excess of the FDIC insured limit was \$133,301.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Wayne 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 Wayne 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Wayne Partnership was awarded and has received \$1,246,384 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Wayne Partnership has returned \$20,920 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2005.

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

More at Four – The Wayne Partnership also received revenue and support from the State of North Carolina for the More at Four Program. The Wayne Partnership was awarded \$1,705,510 and received \$1,643,798 under a current year contract. The Wayne Partnership expects to receive continued funding through new More at Four contracts with the State.

NOTE 4 - RELATED PARTY TRANSACTIONS

Service Provider Contracts with Board Member Organizations – The board members of the Wayne Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Wayne Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Wayne 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 Wayne 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 associated with Head Start wraparound/extended day.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Child Care and Education Quality – Used to account for service activities including quality enhancement grants for upgrades, child care resource and referral, or professional development.

Family Support – Used to account for service activities including ongoing parenting education, literacy projects, or community outreach information and resources.

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

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 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 – Other costs including occupancy cost (utilities and maintenance), supplies and materials, and communication costs (internet and postage) were allocated based on utilization data.

NOTE 6 - PENSION PLAN

- A. **Retirement Plans** – The Wayne Partnership has a Simplified Employee Pension plan (SEP Plan) covering all full-time employees. Each full-time employee of the Wayne Partnership, as a condition of employment, is

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

provided an Individual Retirement Account through an outside insurance company. The Wayne Partnership contributed 5% of gross wages for the year ended June 30, 2005. The Wayne Partnership does not own the accounts nor is liable for any other cost other than the required contribution. The Wayne Partnership contributed \$25,334 for pension benefits during the year.

- B. IRC Section 403(b) Plan** – All permanent employees who are at least half time can participate in a tax sheltered annuity plan (Plan) created under Internal Revenue Code Section 403(b). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These Plans are exclusively for employees of universities and certain charitable and other nonprofit organizations. All costs of administering and funding these Plans are the responsibility of the Plan participants. No costs were incurred by the Wayne Partnership.

NOTE 7 - RISK MANAGEMENT

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

NOTE 8 - COMMITMENTS AND CONTINGENCIES

- A. Compensated Absences** – As a result of the Wayne 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

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

financial statements. The compensated absences commitment for vacation leave at June 30, 2005, is \$27,032. No funds or reservation of net assets has been made for this commitment.

- B. Commitments on Contracts** – The Wayne Partnership had outstanding commitment of \$56,200 on a cost-reimbursement contract that had not been paid at June 30, 2005. The payment is limited by private donor contributions and special fundraising received by the Wayne Partnership.

NOTE 9 - RESTRICTIONS ON NET ASSETS

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

Purpose	Amount
Mount Olive Scholarship Fund	\$ 25,370
Child Safety Seat Program	5
Wayne Community College Scholarship Fund	20
Educational Assemblies Program	500
Latino/Hispanic Community Education Coordination	1,330
	<u>\$ 27,225</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
Mount Olive Scholarship Fund	\$ 9,536
Embrace the Miracle – Baby Baskets	483
	<u>\$ 10,019</u>

***The Partnership for Children of Wayne County, Inc.
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
Bright Beginning Christian Center, Inc.	\$ 614	\$ 0	\$ 69,955	\$ 0
Happy Days Child Care, Inc.			136,443	
Rhyme University			73,318	
Small World Childcare Center	* 85		287,665	
Wayne Action Group for Economic Solvency	* 147,899		324,513	
Wayne Community College	* 40,416	(481)		
Wayne Cooperative Extension	* 118,220	(89)		
Wayne County Health Department	* 127,650	(6,050)		
Wayne County Public Library, Inc.	* 55,576			
Wayne County Public Schools	* 3,031		472,619	
Wee are the World	* 6,463		140,053	
Wonderland Christian Child Care Center, Inc.			46,902	
Various Daycare Providers	19,610		183	
	<u>519,564</u>	<u>(6,620)</u>	<u>1,551,651</u>	<u>0</u>
Individuals:				
Scholarships/Bonus Awards			12,713	
	<u>\$ 519,564</u>	<u>\$ (6,620)</u>	<u>\$ 1,564,364</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.

***The Partnership for Children of Wayne County, Inc.
Schedule of State Level Service Provider Contracts
For the Year Ended June 30, 2005***

Schedule 2

Organization Name	DHHS Contracts
Child Care Services Association - WAGES\$ Program	\$ 287,873
Wayne County Department of Social Services *	733,170
	<u>\$ 1,021,043</u>

* These organizations are 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.

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

Schedule 3

Federal/State Grantor/Pass-through Grantor/Program	Federal CFDA Number	Contract #	Receipts	Expenditures
Federal Awards:				
U.S. Department of Transportation				
National Highway Traffic Safety Administration				
Pass-through from the Governor's Highway Safety Program				
Pass-through from the North Carolina Department of Insurance				
North Carolina Safe Kids Buckle Up Program	20.602	N/A	\$ 2,000	\$ 1,995
US Department of Health and Human Services				
Administration for Children and Families				
Pass-through from the North Carolina Department of				
Health and Human Services - Division of Child Development				
Pass-through from Child Care Networks, Inc.				
Child Care and Development Fund	93.575	#6230001	7,349	8,215
Total Federal Awards			<u>9,349</u>	<u>10,210</u>
State Awards:				
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)		Various	(30,890)	(111)
Early Childhood Initiatives Program (Current Year)	*	N/A	1,225,448	1,225,448
Multi-County Accounting and Contracting Grant		N/A	12,000	12,000
North Carolina Department of Health and Human Services				
More at Four Pre-Kindergarten Program	*	#2090004352	1,643,798	1,641,192
Total State Awards			<u>2,850,356</u>	<u>2,878,529</u>
Total Federal and State Awards			<u>\$ 2,859,705</u>	<u>\$ 2,888,739</u>

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

Note: The More at Four Pre-Kindergarten Program is contracted jointly by the North Carolina Department of Health and Human Services and the Office of the Governor. The allocations for the More at Four program are included in the budget for the North Carolina Department of Health and Human Services; therefore, the above schedule identifies that agency as the State Grantor. The Office of the Governor is responsible for oversight of the More at Four Program.

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

Schedule 4

Furniture and Noncomputer Equipment	\$	54,827
Computer Equipment/Printers		95,104
Buildings		<u>517,171</u>
 Total Property and Equipment	 \$	 <u>667,102</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.

The Partnership for Children of Wayne County, Inc.
Schedule of Qualifying Match (Non-GAAP)
For the Year Ended June 30, 2005

Schedule 5

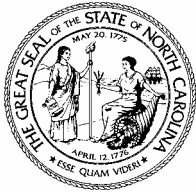
Match Provided at the Partnership Level:

Cash	\$	42,787
In-Kind Goods and Services		<u>41,614</u>
	\$	<u><u>84,401</u></u>

Match Provided at the Contractor Level:

Cash	\$	264,673
In-Kind Goods and Services		<u>9,602</u>
	\$	<u><u>274,275</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.



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**

Board of Directors
The Partnership for Children of Wayne County, Inc.
Goldsboro, North Carolina

We have audited the financial statements of The Partnership for Children of Wayne County, Inc. (Wayne Partnership) as of and for the year ended June 30, 2005, and have issued our report thereon dated March 17, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Wayne 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 Wayne Partnership's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
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GOVERNMENT AUDITING STANDARDS (CONCLUDED)**

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 Wayne 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.

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

March 17, 2006

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