

**FINANCIAL STATEMENT AUDIT REPORT OF
ASHE COUNTY PARTNERSHIP FOR CHILDREN
JEFFERSON, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2006**

**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

ASHE COUNTY PARTNERSHIP FOR CHILDREN

JEFFERSON, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2006

BOARD OF DIRECTORS

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STATE OF NORTH CAROLINA
Office of the State Auditor

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AUDITOR'S TRANSMITTAL

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

This report presents the results of the financial statement audit of Ashe County Partnership for Children for the year ended June 30, 2006. 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 Ashe 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 Ashe County Partnership for Children is one of these local partnerships. As such, the Ashe County Partnership for Children is a private nonprofit 501(c)(3) organization and is required by G.S. 143B-168.14 to have an annual financial and compliance audit conducted by the State Auditor. The State Auditor's authority to perform or coordinate all audit functions for state government is set forth in Article 5 of Chapter 147 of the *North Carolina General Statutes*.

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

Leslie W. Merritt, Jr.

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

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Winston, Williams, Creech, Evans & Company, LLP

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Ashe County Partnership for Children
Jefferson, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Ashe County Partnership for Children (Ashe Partnership) as of June 30, 2006, and the related Statement of Functional Expenditures – Modified Cash Basis for the year then ended. These financial statements are the responsibility of the Ashe Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

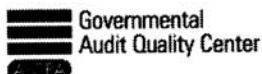
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 Ashe County Partnership for Children as of June 30, 2006, 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 November 10, 2006 on our consideration of the Ashe Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations,

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INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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 conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Ashe County Partnership for Children'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.

Winston, Williams, Creech, Evans and Company, LLP

Winston, Williams, Creech, Evans and Company, LLP
Certified Public Accountants

November 13, 2006

*Ashe County Partnership for Children
Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis
For the Year Ended June 30, 2006*

Exhibit A

	Unrestricted Funds		Temporarily Restricted Funds	Permanently Restricted Funds	Total Funds
	Smart Start Fund	Other Funds			
Receipts:					
State Awards (less refunds of \$108)	\$ 407,460	\$ 105,825	\$ 22,184	\$ 0	\$ 535,469
Federal Awards (less refunds of \$199)	0	202,031	0	0	202,031
Local Awards	0	21,294	681	0	21,975
Private Contributions	0	119,441	91,919	12,000	223,360
Special Fund Raising Events	0	313	13,168	0	13,481
Interest and Investment Earnings	0	5,171	943	0	6,114
Building Rent	0	123,259	0	0	123,259
Accounting Serices Reimbursement	0	52,206	0	0	52,206
Sales Tax Refunds	0	4,554	0	0	4,554
Other Receipts	0	19,330	0	0	19,330
Total Receipts	407,460	653,424	128,895	12,000	1,201,779
Net Assets Released from Restrictions:					
Satisfaction of Program Restrictions	0	69,546	(69,546)	0	0
	407,460	722,970	59,349	12,000	1,201,779
Expenditures:					
Programs:					
Child Care and Education Affordability	45,545	950	0	0	46,495
Child Care and Education Quality	167,222	34,157	0	0	201,379
Family Support	51,607	211,391	0	0	262,998
Health and Safety	31,848	0	0	0	31,848
Domestic Violence	0	222,228	0	0	222,228
Family Central Operations	0	163,720	0	0	163,720
Support:					
Management and General	103,692	70,620	0	0	174,312
Program Coordination	7,546	0	0	0	7,546
Other:					
Refund of Prior Year Grant	0	23	0	0	23
Sales Tax Paid	0	4,845	0	0	4,845
Total Expenditures	407,460	707,934	0	0	1,115,394
Excess of Receipts Over Expenditures	0	15,036	59,349	12,000	86,385
Net Assets at Beginning of Year	0	6,568	90,156	7,636	104,360
Net Assets at End of Year	\$ 0	\$ 21,604	\$ 149,505	\$ 19,636	\$ 190,745
Net Assets Consisted of:					
Cash and Cash Equivalents	\$ 4	\$ 21,955	\$ 147,631	\$ 0	\$ 169,590
Benefit Interest in Community Foundation	0	0	1,874	19,636	21,510
Refunds Due From Contractors	104	0	0	0	104
	108	21,955	149,505	19,636	191,204
Less: Due to the State	(108)	0	0	0	(108)
Funds Held for Others	0	(351)	0	0	(351)
	\$ 0	\$ 21,604	\$ 149,505	\$ 19,636	\$ 190,745

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

**Ashe County Partnership for Children
Statement of Functional Expenditures - Modified Cash Basis
For the Year Ended June 30, 2006**

Exhibit B

	Total	Personnel	Contracted Services	Supplies and Materials	Other Operating Expenditures	Fixed Charges and Other Expenditures	Property and Equipment Outlay	Occupancy Costs	Services/Contracts/Grants	Participant Training Expenditures
Smart Start Fund:										
Programs:										
Child Care and Education Affordability	\$ 45,545	\$ 29,392	\$ 0	\$ 4,430	\$ 0	\$ 0	\$ 3,403	\$ 8,320	\$ 0	\$ 0
Child Care and Education Quality	167,222	62,353	725	10,795	9,456	1,908	6,493	5,579	69,143	770
Family Support	51,607	35,240	900	4,939	833	95	0	9,600	0	0
Health and Safety	31,848	0	0	0	0	0	0	0	31,848	0
	<u>296,222</u>	<u>126,985</u>	<u>1,625</u>	<u>20,164</u>	<u>10,289</u>	<u>2,003</u>	<u>9,896</u>	<u>23,499</u>	<u>100,991</u>	<u>770</u>
Support:										
Management and General	103,692	81,664	2,156	1,801	6,670	5,281	180	5,940	0	0
Program Coordination	7,546	7,486	0	60	0	0	0	0	0	0
	<u>111,238</u>	<u>89,150</u>	<u>2,156</u>	<u>1,861</u>	<u>6,670</u>	<u>5,281</u>	<u>180</u>	<u>5,940</u>	<u>0</u>	<u>0</u>
Total Smart Start Fund Expenditures	<u>\$ 407,460</u>	<u>\$ 216,135</u>	<u>\$ 3,781</u>	<u>\$ 22,025</u>	<u>\$ 16,959</u>	<u>\$ 7,284</u>	<u>\$ 10,076</u>	<u>\$ 29,439</u>	<u>\$ 100,991</u>	<u>\$ 770</u>
Other Funds:										
Programs:										
Child Care and Education Affordability	\$ 950	\$ 0	\$ 48	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 902	\$ 0
Child Care and Education Quality	34,157	29,119	0	0	4,175	863	0	0	0	0
Family Support	211,391	142,578	2,137	6,356	11,974	8,288	25,657	13,611	590	200
Domestic Violence	222,228	150,567	2,207	3,170	16,353	17,282	28,719	3,930	0	0
Family Central Operations	163,720	43,846	37,492	7,324	75,586	42,708	4,413	(47,649)	0	0
	<u>632,446</u>	<u>366,110</u>	<u>41,884</u>	<u>16,850</u>	<u>108,088</u>	<u>69,141</u>	<u>58,789</u>	<u>(30,108)</u>	<u>1,492</u>	<u>200</u>
Support:										
Management and General	70,620	63,011	761	464	4,563	598	554	669	0	0
Other:										
Refund of Prior Year Grant	23	0	0	0	23	0	0	0	0	0
Sales Tax Paid	4,845	0	0	4,845	0	0	0	0	0	0
	<u>4,868</u>	<u>0</u>	<u>0</u>	<u>4,845</u>	<u>23</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Funds Expenditures	<u>\$ 707,934</u>	<u>\$ 429,121</u>	<u>\$ 42,645</u>	<u>\$ 22,159</u>	<u>\$ 112,674</u>	<u>\$ 69,739</u>	<u>\$ 59,343</u>	<u>\$ (29,439)</u>	<u>\$ 1,492</u>	<u>\$ 200</u>

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

ASHE COUNTY PARTNERSHIP FOR CHILDREN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose - The Ashe County Partnership for Children (Ashe Partnership) is a legally separate nonprofit organization incorporated on January 17, 1995. The Ashe Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Ashe 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 Ashe 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.

Permanently restricted net assets include gifts and contributions that are limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by the actions of the Ashe Partnership. The net assets are invested in perpetuity with only the income from such investments available for program operations.

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)

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 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. Investments** – This classification consists of funds invested in an endowment fund with the North Carolina Community Foundation, Inc. as reported in Note 11.
- F. 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.
- G. 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.
- H. Funds Held For Others** - Funds held for others includes amounts received that are fiduciary in nature in which the Ashe Partnership acts in an agency capacity. For the year ended, the Ashe Partnership was holding amounts for Boone Regional Interagency Coordinated Council in an agency capacity.
- I. Property and Equipment** – Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year occurred. However, Ashe Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Ashe 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

different from their valuation as of June 30, 2006. Donated items are recorded at estimated fair market value at the date of donation.

J. 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.

K. Use of Estimates - The preparation of financial statements in conformity with the modified cash basis of accounting used by the Ashe 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 Ashe 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 Ashe Partnership to a concentration of credit risk. At June 30, 2006, the Ashe Partnership's bank deposits in excess of the FDIC insured limit was \$102,770.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Ashe 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 Ashe 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 Ashe Partnership was awarded and has received \$407,568 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Ashe Partnership has returned \$108 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2006.

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

Even Start Program – The Ashe Partnership received additional revenue and support from the United States Department of Education, which passed through the State of North Carolina based on a cost-reimbursement contract with the Department of Public Instruction (DPI) for the Even Start Program.

The Ashe Partnership was awarded \$110,000 and has received \$86,951 of this amount under a current year contract with DPI. The unexpended balance of this contract is subject to reversion by the State. The Ashe Partnership expects to receive continued funding through new Even Start contracts with the State.

NOTE 4 - RELATED PARTY TRANSACTIONS

- A. Service Provider Contracts with Board Member Organizations** - The board members of the Ashe Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Ashe Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Ashe 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 Ashe Partnership's Smart Start Allocation.
- B. Other Related Parties** - The Ashe County Children's Trust Endowment Committee consists of seven voting members, two of which are Ashe County Partnership board members. The purpose of the Committee is to provide financial resources for programs conducted by the Ashe County 4-H and the Ashe County Partnership to enrich the quality of life for all children in Ashe County. The bank account used to deposit and disburse grants awarded by the Committee is maintained by the Ashe County Cooperative Extension office (4-H).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 part-day care programs

Child Care and Education Quality - Used to account for service activities including child care resource and referral or professional development.

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

Health and Safety - Used to account for service activities including oral health services, comprehensive screenings, or prenatal/newborn services.

Domestic Violence – Used to account for activities associated with providing assistance services for victims and survivors of domestic violence.

Family Central Operations – Used to account for activities to provide adequate and affordable space for non-profit organizations and to promote the coordinated delivery of family services.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

Salaries and Benefits – Allocated based on employee time reports.

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

D. Occupancy Costs

The Ashe Partnership owns and operates Family Central as a facility to provide affordable and adequate space for various non-profit organizations and functions within the Partnership. The costs of operating Family Central, (salaries, contracted services, supplies and materials, other operating expenses, fixed charges and other expenses, property and equipment) are allocated to the various programs based on the square footage used by each program. The cost allocated per square footage for the 2006 year was \$5.30.

Family Central operations costs totaling \$47,649 were distributed across program activities, including \$29,439 specifically allocated to the Smart Start services and administrative contract. An Occupancy Costs column has been added to the Statement of Functional Expenditures – Modified Cash Basis to indicate how these costs were distributed across programs. The column allows for a more accurate presentation of costs by program and functional category.

NOTE 6 - OPERATING LEASE OBLIGATIONS

Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2006:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2007	\$ 5,766
2008	5,766
2009	5,766
2010	5,766
2011	<u>1,442</u>
Total Minimum Lease Payments	<u>\$ 24,506</u>

Rental expense for all operating leases during the year was \$9,508.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 - PENSION PLAN

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 Plan is a defined contribution plan in which each employee of the Ashe Partnership, as a condition of employment, is provided an individual annuity through an outside insurance company. The Ashe Partnership contributed 5% of gross wages for the year ended June 30, 2006. 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 Ashe Partnership contributed \$17,644 for retirement benefits during the year.

NOTE 8 - RISK MANAGEMENT

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

NOTE 9 - COMMITMENTS AND CONTINGENCIES

A. Compensated Absences – As a result of the Ashe 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

vacation leave at June 30, 2006, is \$17,988. No funds or reservation of net assets has been made for this commitment.

- B. Loan Commitment** - The Ashe Partnership has a note with a balance of \$441,723 at June 30, 2006 that is secured by the Family Central building complex which the Ashe Partnership leases from Ashe County and by the income of the organization. The note is payable to the United States Department of Agriculture, Rural Housing Service in annual installments of \$38,440. This amount includes principal and interest computed at an annual rate of 4.5%.

The future scheduled maturities of long-term debt are as follows:

<u>Fiscal Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>
2007	\$ 18,562	\$ 19,878
2008	19,398	19,042
2009	20,271	18,169
2010	21,183	17,257
2011	22,136	16,304
2012-2016	126,550	65,650
2017-2021	157,704	34,496
2021 and beyond	<u>55,919</u>	<u>3,416</u>
Total Loan Payments	<u>\$ 441,723</u>	<u>\$ 194,212</u>

- C. Mortgage Commitments** - The Ashe Partnership has a note balance of \$86,039 at June 30, 2006, that is secured by the Domestic Violence shelter building and payable to the High Country Bank in 19 additional regular monthly installments of \$765 and one last balloon payment estimated at \$83,098. This amount includes principal and interest computed at an annual rate of 8.25% at June 30, 2006. The Partnership has the option to refinance the balance at the time of the balloon payment.

The future scheduled maturities of long-term debt are as follows:

<u>Fiscal Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>
2007	\$ 2,162	\$ 7,018
2008	<u>83,877</u>	<u>4,576</u>
Total Loan Payments	<u>\$ 86,039</u>	<u>\$ 11,594</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 10 - RESTRICTIONS ON NET ASSETS

A. Temporarily Restricted Net Assets - Temporarily restricted net assets at June 30, 2006 are available for the following purposes:

Purpose	Amount
Capital Campaign	\$ 1,617
Domestic Violence	86,294
Community Kitchen Operations	52,184
Wal-Mart Play Center	600
Ashe County Children's Trust Endowment	1,874
Imagination Library	1,042
Asthma Incentives	225
Individual Development Account	5,669
	\$ 149,505

B. Net Assets Released From Donor Restrictions - Net assets were released from donor restrictions during the fiscal year ended June 30, 2006, by incurring expenditures satisfying the restricted purposes as follows:

Purpose	Amount
Ashe County's Children's Trust Endowment	\$ 751
Capital Campaign	596
Domestic Violence	42,845
Individual Development Account	12,354
Project Play	12,500
Wal-Mart Play Center	500
	\$ 69,546

NOTE 11 - PERMANENTLY RESTRICTED NET ASSETS

Net assets were permanently restricted for the following purpose at June 30, 2006:

Purpose	Amount
Ashe County Children's Trust Endowment	\$ 19,636

The Ashe County Children's Trust Endowment (Endowment) was established through the North Carolina Community Foundation, Inc. (Foundation) on March 22, 1999. The Ashe Partnership established the Endowment in conjunction with the Ashe County 4-H and its purpose is devoted to the

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

support of the Ashe Partnership and the Ashe County 4-H programs. The Ashe Partnership presents the above amount as a beneficial interest in the foundation.

The agreement between the Ashe Partnership, the Ashe County 4-H, and the Foundation provides that all the contributions to the Endowment are irrevocable. The Endowment, including all investment income, capital gains, and subsequent contributions, are the Foundation's property. The Foundation will make annual distributions of the income earned on the Endowment, subject to Foundation's spending policy. The Foundation may distribute all or any part of the Endowment at the Foundation's discretion; however, it is the Foundation's general policy that a substantial part of the Endowment remains as a permanent endowment of the Foundation. The agreement also permits the Community Foundation to substitute another beneficiary in the place of the Ashe Partnership and the Ashe County 4-H if both organizations cease to exist. Therefore, the Ashe Partnership and Ashe County 4-H have explicitly granted variance power to the Community Foundation. The Ashe Partnership's endowment position is identified on the Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis as a Benefit Interest in the Community Foundation. The entire amount invested with the Community Foundation has been identified on the Ashe Partnership's financial statement due to the Ashe Partnership and the Ashe County 4-H not having an agreement in place that identifies the percentage in which each organization is invested.

***Ashe County Partnership for Children
Schedule of Contract and Grant Expenditures - Modified Cash Basis
For the Year Ended June 30, 2006***

Schedule 1

Organization Name	Smart Start Fund		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
<i>Paid to Organizations:</i>				
Appalachian District Health Department	* \$ 31,952	\$ (104)	\$ 0	\$ 0
Generations Developmental Day Care Center	* 0	0	902	0
Governor's One on One	0	0	300	0
Learning Thru Play	0	0	290	0
Wilkes Community College	* 69,143	0	0	0
	<u>\$ 101,095</u>	<u>\$ (104)</u>	<u>\$ 1,492</u>	<u>\$ 0</u>

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

***Ashe County Partnership for Children
 Schedule of a State Level Service Provider Contract
 For the Year Ended June 30, 2006***

Schedule 2

Organization Name	DHHS Contract
Ashe County Department of Social Services *	<u>\$ 136,939</u>

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

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

**Ashe County Partnership for Children
Schedule of Federal and State Awards - Modified Cash Basis
For the Year Ended June 30, 2006**

Schedule 3

Federal/State Grantor/Pass-through Grantor/Program	Federal CFDA Number	Contract #	Receipts	Expenditures
Federal Awards:				
US Department of Agriculture, Rural Development Community Facility Loan and Grant	10.766 **	N/A	\$ 0	\$ 441,723
US Department of Education Pass-through from the North Carolina Department of Public Instruction				
Pass-through from the Ashe County Board of Education				
Even Start Family Literacy (Prior Year)	84.213	N/A	21,079	11,420
Even Start Family Literacy (Current Year)	84.213	N/A	86,951	96,672
US Department of Health and Human Services Pass-through from the North Carolina Department of Health and Human Services - Division of Social Services Promoting Safe and Stable Families:				
Family Resource Center (Prior Year)	93.556	01101-04	(199)	0
US Department of Health and Human Services Pass-through from the North Carolina Department of Health and Human Services - Division of Social Services				
Family Violence Prevention (Prior Year)	93.671	450-04	5,505	3,400
Family Violence Prevention (Current Year)	93.671	450-05	15,177	17,837
US Department of Health and Human Services Pass-through from the North Carolina Department of Health and Human Services - Division of Child Development				
Pass-through from the Iredell County Partnership for Young Children				
Child Care Resource and Referral (Prior Year)	93.575	DCD-0304-2	3,669	0
Child Care Resource and Referral (Current Year)	93.575	DCD-0304-2	28,859	32,231
US Department of Housing and Urban Development Pass-through from the North Carolina Department of Commerce Pass-through from Ashe County				
Community Development Block Grant	14.228	N/A	11,500	14,935
US Department of Justice Office of Juvenile Justice and Delinquency Prevention Pass-through from the North Carolina Department of Crime Control and Public Safety				
Division of Governor's Crime Commission				
ASHE - A Safe Home for Everyone (Prior Year)	16.575	005-1-03-B10-AV-366	9,572	0
ASHE - A Safe Home for Everyone (Current Year)	16.575	005-1-04-B10-AV-908	19,918	24,395
Total Federal Awards			202,031	642,613
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 (Current Year)	*	N/A	407,460	407,460
Multi-County Accounting and Contracting Grant			12,000	12,000
North Carolina Tobacco Trust Fund Commission Pass-through from the Rural Advancement Foundation International-USA				
Demonstration Grant		N/A	23,896	1,712
North Carolina Rural Economic Development Center Economic Innovation Grant				
Economic Innovation Grant		N/A	32,614	42,574
North Carolina Department of Administration Council for Women and Domestic Violence Commission				
Domestic Violence Grant (Current Year)		N/A	45,907	45,846
Marriage License Grant (Current Year)		N/A	13,592	13,591
Total State Awards			535,469	523,183
Total Federal and State Awards			\$ 737,500	\$ 1,165,796

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

** Major Programs per OMB Circular A-133

Notes to the Schedule of Federal and State Awards - Modified Cash Basis

1. The accompanying schedule of federal and state awards includes the federal and State grant activity of the Ashe County Partnership for Children and is presented on the modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2. Loan Outstanding

Ashe County Partnership for Children had the following loan balance outstanding at June 30, 2006. This loan balance outstanding is also included in the federal expenditures presented in the schedule. This loan has been included on the schedule due to the continuing federal compliance requirements.

Program Title	CFDA Number	Pass-through Grantor's Number	Amount Outstanding
Building Renovations	10.766	N/A	\$ 441,723

***Ashe County Partnership for Children
Schedule of Property and Equipment - Modified Cash Basis
For the Year Ended June 30, 2006***

Schedule 4

Furniture and Noncomputer Equipment	\$	85,636
Computer Equipment/Printers		49,147
Buildings		198,720
Leasehold Improvements		1,205,155
Motor Vehicles		<u>34,360</u>
Total Property and Equipment	\$	<u><u>1,573,018</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.

***Ashe County Partnership for Children
Schedule of Qualifying Match (Non-GAAP)
For the Year Ended June 30, 2006***

Schedule 5

Match Provided at the Partnership Level:

Cash	\$	43,900
In-Kind Goods and Services		<u>9,484</u>
	\$	<u><u>53,384</u></u>

Match Provided at the Contractor Level:

Cash	\$	<u><u>19,768</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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**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
Ashe County Partnership for Children
Jefferson, North Carolina

We have audited the financial statements of the Ashe County Partnership for Children (Ashe Partnership) as of and for the year ended June 30, 2006, and have issued our report thereon dated November 10, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Ashe 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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. A reportable condition involves matters coming to our attention relating to a significant deficiency in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Ashe Partnership's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. This reportable condition is reported, with a response, in the Schedule of Findings and Questioned Costs section of this report:

Finding

06-1 Contract Monitoring Weaknesses

**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)**

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ashe County Partnership's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is reported, with a response, in the Schedule of Findings and Questioned Costs section of this report.

Finding

06-1 Contract Monitoring Weaknesses

We noted certain additional matters that we reported to management of the Ashe County Partnership, in a separate letter dated November 10, 2006.

This report is intended solely for the information and use of the audit committee, management of the Ashe 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

November 10, 2006

Winston, Williams, Creech, Evans & Company, LLP

Certified Public Accountants



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James P. Winston II, CPA
Gary L. Williams, CPA
Leonard R. Creech, Jr. CPA
Carleen P. Evans, CPA

Jennifer T. Reese, CPA
Elizabeth J. Day, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Ashe County Partnership for Children
Jefferson, North Carolina

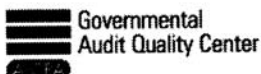
Compliance

We have audited the compliance of the Ashe County Partnership for Children (Ashe Partnership) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. Ashe Partnership's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Ashe Partnership's management. Our responsibility is to express an opinion on Ashe Partnership's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ashe Partnership's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Ashe Partnership's compliance with those requirements.

In our opinion, Ashe Partnership complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133 (CONCLUDED)**

Internal Control Over Compliance

The management of Ashe Partnership is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Ashe Partnership's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses. We noted certain additional matters that we reported to management of the Ashe County Partnership in a separate letter dated November 10, 2006.

This report is intended solely for the information and use of the management of the Ashe Partnership, The North Carolina Partnership for Children, Inc., the Governor, and the General Assembly and federal awarding agencies 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

November 10, 2006

**ASHE COUNTY PARTNERSHIP FOR CHILDREN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: **Unqualified**

Internal Control over financial reporting:

- Material weakness(es) identified? Yes No
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial Statement noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for major federal programs:
Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
10.766	Community Facilities Loans and Grants

Dollar threshold used to distinguish between Type A and Type B programs \$300,000

Auditee qualified as low-risk auditee? Yes No

**ASHE COUNTY PARTNERSHIP FOR CHILDREN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006 (CONCLUDED)**

II FINANCIAL STATEMENT FINDINGS

06-1 CONTRACT MONITORING WEAKNESSES

During our testwork we noted contract monitoring was initiated but not completed for the Direct Service Providers for the fiscal year. Monitoring visits were conducted and the monitoring procedures which could be conducted in the first half of the year were completed. There was no documentation that the remaining monitoring procedures were completed and a final report was not issued. Ashe County Partnership experienced turnover and restructuring of program coordination duties.

Effective contract monitoring provides a reporting of actual performance in relation to expected outcomes and a measurement focus on compliance with program requirements.

Recommendation: We recommend that the Ashe Partnership review its current operations to ensure monitoring procedures are assigned to appropriate personnel and there is proper follow up to ensure these procedures are performed and completed.

Partnership's Response: There was a change in monitoring responsibilities late in the fiscal year when the Program Coordinator, the staff person responsible for the monitoring, left the position. The monitoring was completed prior to his departure. The person that assumed the responsibility for filling the Monitoring Report failed to do so.

**ASHE COUNTY PARTNERSHIP FOR CHILDREN
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

FINDING 05-01 INTERNAL CONTROL WEAKNESSES

STATUS: Corrected

**ASHE COUNTY PARTNERSHIP FOR CHILDREN
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2006**

Finding Number	Contact Person Phone Number	Corrective Action Planned
06-1	Lynn Robinson (336) 982-4588	<u>Contract Monitoring Weaknesses</u> This is a weakness that has already been corrected. The responsibilities for the Contracts Monitoring process have been reassigned to the Fiscal Coordinator and the Executive Director. We do feel that our management is strong and the policies and procedures in place are more than adequate to ensure contract and financial accountability.

ORDERING INFORMATION

Audit reports issued by the Office of the State Auditor can be obtained from the web site at 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 audit reports may be obtained by contacting the:

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