



# STATE OF NORTH CAROLINA

## FINANCIAL STATEMENT AUDIT REPORT OF BUNCOMBE COUNTY PARTNERSHIP FOR CHILDREN, INC.

ASHEVILLE, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2006

OFFICE OF THE STATE AUDITOR

LESLIE W. MERRITT, JR., CPA, CFP

STATE AUDITOR

**FINANCIAL STATEMENT AUDIT REPORT OF  
BUNCOMBE COUNTY PARTNERSHIP FOR CHILDREN, INC.**

**ASHEVILLE, NORTH CAROLINA**

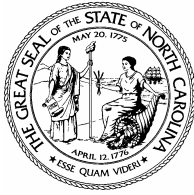
**FOR THE YEAR ENDED JUNE 30, 2006**

**BOARD OF DIRECTORS**

**SALLY SMITH, BOARD CHAIRMAN**

**ADMINISTRATIVE OFFICER**

**N. RONALD BRADFORD, EXECUTIVE DIRECTOR**



STATE OF NORTH CAROLINA  
Office of the State Auditor

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

2 S. Salisbury Street  
20601 Mail Service Center  
Raleigh, NC 27699-0601  
Telephone: (919) 807-7500  
Fax: (919) 807-7647  
Internet  
<http://www.ncauditor.net>

---

**AUDITOR'S TRANSMITTAL**

---

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

We have completed a financial statement and compliance audit of the Buncombe County Partnership for Children, Inc. (Buncombe Partnership) for the year ended June 30, 2006, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material aspects.

The audit of the Buncombe 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 Buncombe Partnership is one of these local partnerships. As such, the Buncombe Partnership is a private nonprofit 501(c)(3) organization and is subject to audit and review by the State Auditor under Article 5A of Chapter 147 of the General Statutes and as authorized in General Statute 143B-168.12(a)(7).

Our consideration of internal control over financial reporting and compliance and other matters based on an audit of the financial statements resulted in no audit findings.

*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.

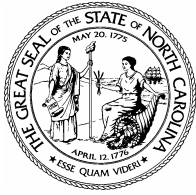
*Leslie W. Merritt, Jr.*

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

# TABLE OF CONTENTS

---

	PAGE
INDEPENDENT AUDITOR’S REPORT .....	1
FINANCIAL STATEMENTS	
EXHIBITS	
A    Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis .....	3
B    Statement of Functional Expenditures – Modified Cash Basis.....	4
Notes to the Financial Statements.....	5
SUPPLEMENTARY SCHEDULES	
1    Schedule of Contract and Grant Expenditures – Modified Cash Basis .....	12
2    Schedule of State Level Service Provider Contracts.....	13
3    Schedule of State Awards – Modified Cash Basis .....	14
4    Schedule of Property and Equipment – Modified Cash Basis .....	15
5    Schedule of Qualifying Match (Non-GAAP).....	16
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 <i>GOVERNMENT AUDITING STANDARDS</i> .....	17
ORDERING INFORMATION .....	19



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

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

2 S. Salisbury Street  
20601 Mail Service Center  
Raleigh, NC 27699-0601  
Telephone: (919) 807-7500  
Fax: (919) 807-7647  
Internet  
<http://www.ncauditor.net>

---

**INDEPENDENT AUDITOR'S REPORT**

---

Board of Directors  
Buncombe County Partnership for Children, Inc.  
Asheville, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Buncombe County Partnership for Children, Inc. (Buncombe 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 Buncombe 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 Buncombe County Partnership for Children, Inc., 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 our report dated May 31, 2007, on our consideration of the Buncombe Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

---

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 an opinion on the financial statements that collectively comprise the Buncombe County Partnership for Children, 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.*

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

May 31, 2007

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

**Exhibit A**

	Unrestricted Funds		Temporarily Restricted Funds	Total Funds
	Smart Start Fund	Other Funds		
<b>Receipts:</b>				
State Awards (less refunds of \$1,515)	\$ 2,644,293	\$ 709,700	\$ 0	\$ 3,353,993
Local Awards		5,000	15,000	20,000
Private Contributions		24,522		24,522
Interest and Investment Earnings		3,938		3,938
Sales Tax Refunds		1,938		1,938
Other Receipts		49,010		49,010
<b>Total Receipts</b>	<b>2,644,293</b>	<b>794,108</b>	<b>15,000</b>	<b>3,453,401</b>
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions		4,719	(4,719)	
	<b>2,644,293</b>	<b>798,827</b>	<b>10,281</b>	<b>3,453,401</b>
<b>Expenditures:</b>				
Programs:				
Child Care and Education Quality	1,464,200	1,344		1,465,544
Family Support	127,120	1,312		128,432
Health and Safety	554,352	27,900		582,252
More at Four	155,733	686,067		841,800
Support:				
Management and General	293,262	63,560		356,822
Program Evaluation	49,626			49,626
Other:				
Sales Tax Paid		1,290		1,290
<b>Total Expenditures</b>	<b>2,644,293</b>	<b>781,473</b>		<b>3,425,766</b>
<b>Excess of Receipts Over Expenditures</b>		17,354	10,281	27,635
<b>Net Assets at Beginning of Year</b>		25,332	7,528	32,860
<b>Net Assets at End of Year</b>	<b>\$ 0</b>	<b>\$ 42,686</b>	<b>\$ 17,809</b>	<b>\$ 60,495</b>
<b>Net Assets Consisted of:</b>				
Cash and Cash Equivalents	\$ 7,338	\$ 42,686	\$ 17,809	\$ 67,833
Refunds Due From Contractors	27,890			27,890
	35,228	42,686	17,809	95,723
Less: Due to the State	35,228			35,228
	<b>\$ 0</b>	<b>\$ 42,686</b>	<b>\$ 17,809</b>	<b>\$ 60,495</b>

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

***Buncombe County Partnership for Children, Inc.***  
***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	Services/Contracts/Grants
<b>Smart Start Fund:</b>								
<b>Programs:</b>								
Child Care and Education Quality	\$ 1,464,200	\$ 14,287	\$ 579	\$ 695	\$ 3,342	\$ 0	\$ 1,309	\$ 1,443,988
Family Support	127,120							127,120
Health and Safety	554,352							554,352
More at Four	155,733							155,733
	<u>2,301,405</u>	<u>14,287</u>	<u>579</u>	<u>695</u>	<u>3,342</u>	<u>0</u>	<u>1,309</u>	<u>2,281,193</u>
<b>Support:</b>								
Management and General	293,262	175,159	22,047	5,158	47,979	42,048	871	
Program Evaluation	49,626	47,019			2,607			
	<u>342,888</u>	<u>222,178</u>	<u>22,047</u>	<u>5,158</u>	<u>50,586</u>	<u>42,048</u>	<u>871</u>	
<b>Total Smart Start Fund Expenditures</b>	<u>\$ 2,644,293</u>	<u>\$ 236,465</u>	<u>\$ 22,626</u>	<u>\$ 5,853</u>	<u>\$ 53,928</u>	<u>\$ 42,048</u>	<u>\$ 2,180</u>	<u>\$ 2,281,193</u>
<b>Other Funds:</b>								
<b>Programs:</b>								
Child Care and Education Quality	\$ 1,344	\$ 0	\$ 0	\$ 1,119	\$ 0	\$ 0	\$ 0	\$ 225
Family Support	1,312			499	813			
Health and Safety	27,900	3,600						24,300
More at Four	686,067	39,624			566			645,877
	<u>716,623</u>	<u>43,224</u>		<u>1,618</u>	<u>1,379</u>			<u>670,402</u>
<b>Support:</b>								
Management and General	63,560	56,115	2,500	478	4,417	50		
<b>Other:</b>								
Sales Tax Paid	1,290			1,290				
<b>Total Other Funds Expenditures</b>	<u>\$ 781,473</u>	<u>\$ 99,339</u>	<u>\$ 2,500</u>	<u>\$ 3,386</u>	<u>\$ 5,796</u>	<u>\$ 50</u>	<u>\$ 0</u>	<u>\$ 670,402</u>

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



**BUNCOMBE COUNTY PARTNERSHIP FOR CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

---

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

- A. Organization and Purpose** - The Buncombe County Partnership for Children, Inc. (Buncombe Partnership) is a legally separate nonprofit organization incorporated on October 6, 1995. The Buncombe Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Buncombe 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 Buncombe 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 Buncombe Partnership did not have any permanently restricted net assets at June 30, 2006.

- 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 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 accounts.
- 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, Buncombe Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Buncombe 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, 2006. 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)

---

### NOTE 2 - DEPOSITS

All funds of the Buncombe 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 Buncombe Partnership to a concentration of credit risk. At June 30, 2006, the Buncombe Partnership's bank deposits in excess of the FDIC insured limit was \$355,648.

### NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Buncombe 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 Buncombe 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 Buncombe Partnership was awarded and has received \$2,680,651 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Buncombe Partnership has returned \$35,228 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2006.

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

**More at Four** – The Buncombe Partnership also received revenue and support from the State of North Carolina for the More at Four Program. The Buncombe Partnership was awarded \$729,995 and received \$698,089 under a current year contract. The Buncombe Partnership expects to receive continued funding through new More at Four contracts with the State.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

### NOTE 4 - RELATED PARTY TRANSACTIONS

**Service Provider Contracts with Board Member Organizations** - The board members of the Buncombe Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Buncombe Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Buncombe 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 Buncombe 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 Quality** - Used to account for service activities including quality enhancement grants for upgrades, quality enhancement grants for maintenance, professional development, professional development supplements, and kindergarten orientation/transition.

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

**Health and Safety** - Used to account for service activities including oral health services, child care health consultants and special needs – early intervention services/special education.

**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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

### 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 Evaluation** - Expenditures that are incurred to monitor the effectiveness and feasibility of Partnership activities and contract agencies to determine if the short-term and long-term goals are being achieved.

### 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	\$ 36,732
2008	38,374
2009	24,584
2010	<u>3,900</u>
Total Minimum Lease Payments	<u>\$ 103,590</u>

Rental expense for all operating leases during the year was \$36,208.

### NOTE 7 - PENSION PLAN

The Buncombe Partnership did not have a pension plan in place for its employees. However, each employee of the Buncombe Partnership is provided, as part of the benefit package, an additional 8.5% of his/her salary to be applied to an individual retirement plan. The Buncombe Partnership has no liability for any other cost other than the required percentage. The Buncombe Partnership contributed \$15,731 for retirement benefits during the year.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

### NOTE 8 - RISK MANAGEMENT

The Buncombe 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 Buncombe 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 Buncombe 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 Buncombe Partnership's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation only; sick leave does not vest) and any employer-related costs earned and unpaid, are not reflected in the financial statements. The compensated absences commitment for vacation leave at June 30, 2006, is \$12,632. No funds or reservation of net assets has been made for this commitment.

### NOTE 10 - RESTRICTIONS ON NET ASSETS

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

<u>Purpose</u>	<u>Amount</u>
School Readiness	\$ 2,809
Literacy Projects	15,000
	\$ 17,809

## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

---

**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:

<u>Purpose</u>	<u>Amount</u>
School Readiness	\$ 1,119
Early Intervention	<u>3,600</u>
	<u>\$ 4,719</u>

***Buncombe County Partnership for Children, Inc.***  
***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
<b><i>Paid to Organizations:</i></b>				
Asheville City Schools	* \$ 269,759	\$ 16,295	\$ 195,630	\$ 0
Asheville High School	* 2,160			
Asheville-Buncombe Technical Community College	* 106,480	4,919		
Big Bridge	74,250			
Buncombe County Child Care Services	* 9,433		25,916	
Buncombe County Health Center	* 410,523	5,760		
Childrens Developmental Services	* 12,700	915		
Community Action Opportunities	* 105,587		161,994	
Community Child Care Center	* 21,170			
Eliada Child Development	51,484		216,355	
Irene Wortham Center	6,236		14,311	
Mission St. Josephs	* 70,120			
Mountain Area Child & Family	4,797		31,671	
New Vistas Behavioral Health	* 137,804		24,300	
Puckett Institute Learning Alliance	75,142	1		
TC Roberson Child Care	* 1,820			
Valley Child Development	* 12,330			
Various Sustaining Facility Quality - Facilities	553,120			
Wanda's Childcare	* 2,140			
	<u>1,927,055</u>	<u>27,890</u>	<u>670,177</u>	
<b><i>Paid to Individuals:</i></b>				
Inhouse Sustaining Facility Quality - Individuals	382,028		225	
	<u>382,028</u>		<u>225</u>	
	<u>\$ 2,309,083</u>	<u>\$ 27,890</u>	<u>\$ 670,402</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.



***Buncombe County Partnership for Children, Inc.  
Schedule of State Level Service Provider Contracts  
For the Year Ended June 30, 2006***

***Schedule 2***

<b>Organization Name</b>	<b>DHHS Contracts</b>
* Buncombe County Child Care Services	<u>\$ 990,708</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.

***Buncombe County Partnership for Children, Inc.  
Schedule of State Awards - Modified Cash Basis  
For the Year Ended June 30, 2006***

***Schedule 3***

State Grantor/Pass-through Grantor/Program	Contract #	Receipts	Expenditures
<b>State Awards:</b>			
North Carolina Department of Health and Human Services			
Division of Child Development			
Pass-through from the North Carolina Partnership for Children, Inc.			
Early Childhood Initiatives Program (Prior Year)		\$ (1,130)	\$ (1,130)
Early Childhood Initiatives Program (Current Year)		2,645,423	2,645,423
Multi-County Accounting and Contracting Grant (Prior Year)		(385)	
Multi-County Accounting and Contracting Grant (Current Year)		12,000	11,208
North Carolina Department of Health and Human Services			
More at Four Pre-Kindergarten Program	#0011-06	698,085	686,067
<b>Total State Awards</b>		<b>\$ 3,353,993</b>	<b>\$ 3,341,568</b>

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.

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

***Schedule 4***

---

Furniture and Noncomputer Equipment	\$	8,798
Computer Equipment/Printers		30,799
Leasehold Improvements		<u>3,246</u>
Total Property and Equipment	\$	<u><u>42,843</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.

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

***Schedule 5***

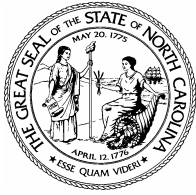
***Match Provided at the Partnership Level:***

Cash	\$	51,494
In-Kind Goods and Services		<u>14,410</u>
	\$	<u><u>65,904</u></u>

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

Cash	\$	190,995
In-Kind Goods and Services		<u>145,080</u>
	\$	<u><u>336,075</u></u>

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 2005-276, Section 10.64(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.



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

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

2 S. Salisbury Street  
20601 Mail Service Center  
Raleigh, NC 27699-0601  
Telephone: (919) 807-7500  
Fax: (919) 807-7647  
Internet  
<http://www.ncauditor.net>

**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  
Buncombe County Partnership for Children, Inc.  
Asheville, North Carolina

We have audited the financial statements of the Buncombe County Partnership for Children, Inc. (Buncombe Partnership) as of and for the year ended June 30, 2006, and have issued our report thereon dated May 31, 2007. 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 Buncombe 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.

**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)**

---

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Buncombe Partnership's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Executive Committee, management of the Buncombe 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

May 31, 2007

## **ORDERING INFORMATION**

---

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 audit reports may be obtained by contacting the:

Office of the State Auditor  
State of North Carolina  
2 South Salisbury Street  
20601 Mail Service Center  
Raleigh, North Carolina 27699-0601

Telephone: 919/807-7500

Facsimile: 919/807-7647