

FINANCIAL STATEMENT AUDIT REPORT OF
COLUMBUS COUNTY PARTNERSHIP FOR CHILDREN
WHITEVILLE, 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
COLUMBUS COUNTY PARTNERSHIP FOR CHILDREN
WHITEVILLE, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2006

BOARD OF DIRECTORS

ANDY ANDERSON, BOARD CHAIRMAN

ADMINISTRATIVE OFFICER

VANDELIA TODD, 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, Columbus County Partnership for Children

This report presents the results of the financial statement audit of Columbus County Partnership for Children for the year ended June 30, 2006. Tichenor & Associates, LLP performed the audit under contract with the Office of the State Auditor, and their report is submitted herewith.

The audit of the Columbus Partnership 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 Columbus County Partnership for Children is one of these local partnerships. As such, the Columbus County Partnership for Children is a private nonprofit 501(c)(3) organization and is required by G.S. 143 B-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 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

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Columbus County Partnership for Children
Whiteville, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Columbus County Partnership for Children (Columbus 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 Columbus 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 Columbus 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.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2006, on our consideration of the Columbus 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 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 Columbus 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.

TICHENOR & ASSOCIATES, LLP

Tichenor & Associates, LLP

November 3, 2006

***Columbus 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		Total Funds
	Smart Start Fund	Other Funds	
Receipts:			
State Awards (less refunds of \$ 12,593)	\$ 444,796	\$ 7,755	\$ 452,551
Private Contributions		1,458	1,458
Interest and Investment Earnings		48	48
Sales Tax Refunds		796	796
Other Receipts		2,127	2,127
Total Receipts	444,796	12,184	456,980
Expenditures:			
Programs:			
Child Care and Education Quality	144,571		144,571
Family Support	56,726	2,120	58,846
Health and Safety	84,781		84,781
Support:			
Management and General	111,383	13,363	124,746
Program Evaluation	55,683		55,683
Other:			
Refund of Prior Year Grant		79	79
Sales Tax Paid		460	460
Total Expenditures	453,144	16,022	469,166
Excess of Receipts Over Expenditures	(8,348)	(3,838)	(12,186)
Net Assets at Beginning of Year	8,348	9,436	17,784
Net Assets at End of Year	\$ 0	\$ 5,598	\$ 5,598
Net Assets Consisted of:			
Cash and Cash Equivalents	\$ 9,164	\$ 5,598	\$ 14,762
Refunds Due From Contractors	7,153		7,153
	16,317	5,598	21,915
Less: Due to State	(16,317)	0	(16,317)
	\$ 0	\$ 5,598	\$ 5,598

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

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

Exhibit B

	<u>Total</u>	<u>Personnel</u>	<u>Contracted Services</u>	<u>Supplies and Materials</u>	<u>Other Operating Expenditures</u>	<u>Fixed Charges and Other Expenditures</u>	<u>Property and Equipment Outlay</u>	<u>Services/ Contracts/ Grants</u>	<u>Participant Training Expenditures</u>
Smart Start Fund:									
Programs:									
Child Care and Education Quality	\$ 144,571	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 144,571	\$ 0
Family Support	56,726							56,726	
Health and Safety	84,781							84,781	
	<u>286,078</u>							<u>286,078</u>	
Support:									
Management and General	111,383	90,131	1,194	921	8,723	9,834	580		
Program Evaluation	55,683	50,226		196	3,191	900	1,170		
	<u>167,066</u>	<u>140,357</u>	<u>1,194</u>	<u>1,117</u>	<u>11,914</u>	<u>10,734</u>	<u>1,750</u>		
Total Smart Start Fund Expenditures	<u>\$ 453,144</u>	<u>\$ 140,357</u>	<u>\$ 1,194</u>	<u>\$ 1,117</u>	<u>\$ 11,914</u>	<u>\$ 10,734</u>	<u>\$ 1,750</u>	<u>\$ 286,078</u>	<u>\$ 0</u>
Other Funds:									
Programs:									
Family Support	\$ 2,120	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,120	\$ 0
	<u>2,120</u>							<u>2,120</u>	
Support:									
Management and General	13,363		4,695	744	4,478	468	2,978		
	<u>13,363</u>		<u>4,695</u>	<u>744</u>	<u>4,478</u>	<u>468</u>	<u>2,978</u>		
Other:									
Refund of Prior Year Grant	79					79			
Sales Tax Paid	460			460					
	<u>539</u>			<u>460</u>		<u>79</u>			
Total Other Funds Expenditures	<u>\$ 16,022</u>	<u>\$ 0</u>	<u>\$ 4,695</u>	<u>\$ 1,204</u>	<u>\$ 4,478</u>	<u>\$ 547</u>	<u>\$ 2,978</u>	<u>\$ 2,120</u>	<u>\$ 0</u>

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose - The Columbus County Partnership for Children (Columbus Partnership) is a legally separate nonprofit organization incorporated on May 7, 1996. The Columbus Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Columbus 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 Columbus 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.

The Columbus Partnership did not have any temporarily or 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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Basis and includes all demand and savings accounts and certificate of deposits or short-term investments with an original maturity of three months or less.

- E. Refunds Due From Contractors** - Refunds due from contractors represent the unexpended amount of advances to contractors at year-end that are to be refunded back to the State. As recoveries are collected, the receivable balance is reduced. Payments to the State for the recovered advances are recorded as a reduction to the State awards balance.
- F. Due to the State** - The funding provided by the State of North Carolina for the Smart Start program is funded on a cost reimbursement basis. The money is earned to the extent of allowable costs incurred. Any unexpended funds as of June 30 are required to be reverted to The North Carolina Partnership for Children, Inc. to be returned to the State of North Carolina.
- G. Property and Equipment** - Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year occurred. However, Columbus Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Columbus 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 7.
- I. Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting used by the Columbus 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Columbus 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 Columbus 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 Columbus Partnership was awarded and has received \$469,461 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Columbus Partnership has returned \$16,317 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2006.

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

NOTE 3 - RELATED PARTY TRANSACTIONS

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 - FUNCTIONAL EXPENDITURES

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis. Also, the Statement of Functional Expenditures – Modified Cash Basis, provides detail of the functional costs by their natural classification. Following are the services associated with the functional categories presented in the accompanying financial statements 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 and child care resource and referral.

Family Support - Used to account for service activities associated with community outreach information and resources.

Health and Safety - Used to account for service activities including prenatal/newborn services, child care health consultants, and transportation to health 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 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.

C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

Salaries and Benefits - Direct allocation based on employee time reports.

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

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

NOTE 5 - PENSION PLAN

The Columbus Partnership has a Simplified Employee Pension plan (SEP Plan) covering all full-time employees. Each full-time employee of the Columbus Partnership, as a condition of employment, is provided an Individual Retirement Account through an outside insurance company. The Columbus Partnership contributed 7.2% of gross wages for the year ended June 30, 2006. The Columbus Partnership does not own the accounts nor is liable for any other cost other than the required contribution. The Columbus Partnership contributed \$8,219 for pension benefits during the year.

NOTE 6 - RISK MANAGEMENT

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

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Compensated Absences - As a result of the Columbus 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 \$6,175. No funds or reservation of net assets has been made for this commitment.

***Columbus 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>				
County of Columbus	* \$ 10,000	\$ 1,202	\$ 0	\$ 0
Creative Child Care Solutions, Inc.	99,955	251		
Easter Seals UPC of NC	40,460			
Columbus County Cooperative Extension	* 2,129			
Southeastern Child Care Resource & Referral	* 47,134	2,267		
Southeastern Community College	* 1,550	1,550		
	<u>201,228</u>	<u>5,270</u>		
<i>Paid to Individuals:</i>				
Child Care Health Consultant Services	44,321			
Community Awareness Services	<u>47,682</u>	<u>1,883</u>	<u>2,120</u>	
	<u>92,003</u>	<u>1,883</u>	<u>2,120</u>	
	<u>\$ 293,231</u>	<u>\$ 7,153</u>	<u>\$ 2,120</u>	<u>\$ 0</u>

* These organizations are represented on the Partnership's Board as described in Note 3 - Service Provider Contracts with Board Member Organizations.

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

Schedule 2

Organization Name	DHHS Contracts
Child Cares Services Association - WAGE\$ Program	\$ 119,880
Columbus County Department of Social Services	* 630,000
	<u>\$ 749,880</u>

* These organizations are represented on the Partnership's Board as described in Note 3 - 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 2 - Funding from Grant Awards.

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

Schedule 3

<u>State Grantor/Pass-through Grantor/Program</u>	<u>Contract #</u>	<u>Receipts</u>	<u>Expenditures</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)	N/A	\$ (8,348)	\$ 0
Early Childhood Initiatives Program (Current Year) *	N/A	469,461	453,144
Multi-County Accounting and Contracting Grant (Prior Year)	N/A	(4,245)	
Multi-County Accounting and Contracting Grant (Current Year)	N/A	<u>12,000</u>	<u>12,000</u>
Total State Awards		<u>\$ 468,868</u>	<u>\$ 465,144</u>

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

***Columbus 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	\$ 15,156
Computer Equipment/Printers	<u>23,121</u>
Total Property and Equipment	<u><u>\$ 38,277</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.

***Columbus 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	\$	1,428
In-Kind Goods and Services		<u>4,174</u>
	\$	<u><u>5,602</u></u>

Match Provided at the Contractor Level:

Cash	\$	130,129
In-Kind Goods and Services		<u>44,533</u>
	\$	<u><u>174,662</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.

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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
Columbus County Partnership for Children
Whiteville, North Carolina

We have audited the financial statements of the Columbus County Partnership for Children (Columbus Partnership) as of and for the year ended June 30, 2006, and have issued our report thereon dated November 3, 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 Columbus 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 Columbus 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
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
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 Columbus Partnership, The North Carolina Partnership for Children, Inc., the Governor, and the General Assembly and is not intended to be and should not be used by anyone other than these specified parties.

Tichenor & Associates, LLP

Tichenor & Associates, LLP

November 3, 2006

ORDERING INFORMATION

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