

**FINANCIAL STATEMENT AUDIT REPORT OF
IREDELL COUNTY PARTNERSHIP FOR CHILDREN**

STATESVILLE, 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
IREDELL COUNTY PARTNERSHIP FOR YOUNG CHILDREN
STATESVILLE, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2006

BOARD OF DIRECTORS

BOB BROMLEY, BOARD CHAIRMAN

ADMINISTRATIVE OFFICER

MARTA KOESLING, 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, Iredell County Partnership For Young Children

This report presents the results of the financial statement audit of Iredell County Partnership for Young Children (Iredell Partnership) 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 Iredell 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 Iredell County Partnership for Young Children is one of these local partnerships. As such, the Iredell County Partnership for Young 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 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
Iredell County Partnership for Young Children
Statesville, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Iredell County Partnership for Young Children (Iredell 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 Iredell 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 Iredell County Partnership for Young 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 our report dated November 9, 2006, on our consideration of the Iredell 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

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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 Iredell County Partnership for Young 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 9, 2006

***Iredell County Partnership for Young 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	Total Funds
	Smart Start Fund	Other Funds		
Receipts:				
State Awards (less refunds of \$38,551)	\$ 1,790,159	\$ 869,131	\$ 0	\$ 2,659,290
Federal Awards (less refunds of \$29,390)		343,184		343,184
Private Contributions		69,520	5,797	75,317
Interest and Investment Earnings		4,596		4,596
Other Receipts		23,019	1,050	24,069
Total Receipts	1,790,159	1,309,450	6,847	3,106,456
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions		31,859	(31,859)	
	1,790,159	1,341,309	(25,012)	3,106,456
Expenditures:				
Programs:				
Child Care and Education Accessibility and Availability	104,262			104,262
Child Care and Education Quality	862,828	438,063		1,300,891
Family Support	402,777	29,740		432,517
Health and Safety	213,385	55,309		268,694
More at Four		838,164		838,164
Support:				
Fund Raising		5,831		5,831
Management and General	199,064	16,072		215,136
Program Coordination	18,760			18,760
Program Evaluation	3,893			3,893
Other:				
Sales Tax Paid		6,246		6,246
Total Expenditures	1,804,969	1,389,425		3,194,394
Excess of Receipts Over Expenditures	(14,810)	(48,116)	(25,012)	(87,938)
Net Assets at Beginning of Year	14,810	136,834	52,836	204,480
Net Assets at End of Year	\$ 0	\$ 88,718	\$ 27,824	\$ 116,542
Net Assets Consisted of:				
Cash and Cash Equivalents	\$ 23,487	\$ 91,248	\$ 27,824	\$ 142,559
Less: Funds Held for Others	254	(2,530)		(2,276)
	23,741	88,718	27,824	140,283
Less: Due to State	(23,741)			(23,741)
	\$ 0	\$ 88,718	\$ 27,824	\$ 116,542

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

***Iredell County Partnership for Young 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	Services/Contracts/Grants	Participant Training Expenditures
Smart Start Fund:									
Programs:									
Child Care and Education Affordability	\$ 104,262	\$ 63,477	\$ 734	\$ 779	\$ 8,642	\$ 30,630	\$ 0	\$ 0	\$ 0
Child Care and Education Quality	862,828	437,890	10,761	19,607	55,256	77,734	3,931	255,820	1,829
Family Support	402,777	316,049	2,978	12,783	34,817	32,598	1,703		1,849
Health and Safety	213,385	67,714	7	841	5,538	3,130		136,155	
	<u>1,583,252</u>	<u>885,130</u>	<u>14,480</u>	<u>34,010</u>	<u>104,253</u>	<u>144,092</u>	<u>5,634</u>	<u>391,975</u>	<u>3,678</u>
Support:									
Management and General	199,064	136,419	12,962	3,976	21,186	17,947	6,574		
Program Coordination	18,760	18,760							
Program Evaluation	3,893	2,281	1,612						
	<u>221,717</u>	<u>157,460</u>	<u>14,574</u>	<u>3,976</u>	<u>21,186</u>	<u>17,947</u>	<u>6,574</u>		
Total Smart Start Fund Expenditures	\$ 1,804,969	\$ 1,042,590	\$ 29,054	\$ 37,986	\$ 125,439	\$ 162,039	\$ 12,208	\$ 391,975	\$ 3,678
Other Funds:									
Programs:									
Child Care and Education Quality	\$ 438,063	\$ 150,046	\$ 9,615	\$ 14,889	\$ 22,705	\$ 5,234	\$ 4,462	\$ 227,386	\$ 3,726
Family Support	29,740	18,693	45	663	1,971			7,750	618
Health and Safety	55,309	13,200		302	608	261		40,938	
More at Four	838,164	26,583	202	1,231	10,755	917		798,123	353
	<u>1,361,276</u>	<u>208,522</u>	<u>9,862</u>	<u>17,085</u>	<u>36,039</u>	<u>6,412</u>	<u>4,462</u>	<u>1,074,197</u>	<u>4,697</u>
Support:									
Fund Raising	5,831		5,625	2		204			
Management and General	16,072	2,130	12,000	69	873	1,000			
	<u>21,903</u>	<u>2,130</u>	<u>17,625</u>	<u>71</u>	<u>873</u>	<u>1,204</u>			
Other:									
Sales Tax Paid	6,246			6,246					
	<u>6,246</u>			<u>6,246</u>					
Total Other Funds Expenditures	\$ 1,389,425	\$ 210,652	\$ 27,487	\$ 23,402	\$ 36,912	\$ 7,616	\$ 4,462	\$ 1,074,197	\$ 4,697

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose - The Iredell County Partnership for Young Children (Iredell Partnership) is a legally separate nonprofit organization incorporated on May 16, 1996. The Iredell Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Iredell 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 Iredell 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 Iredell 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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for others. In addition, Smart Start funds advanced to the local Partnership that are unexpended and unearned at year-end are recorded as a Due to the State.

- D. Cash and Cash Equivalents** - This classification appears on the Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis and includes all demand and savings accounts and certificate of deposits or short-term investments with an original maturity of three months or less.
- E. 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.
- F. Funds Held For Others** - Funds held for others includes amounts received that are fiduciary in nature in which the Iredell Partnership acts in an agency capacity. For the year ended, the Iredell Partnership was holding amounts withheld from employee paychecks for future distribution to employees in accordance with the Partnership's flexible benefit plan.
- 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, Iredell Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Iredell 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.
- I. Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting used by the Iredell Partnership requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as allocation of joint

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 Iredell Partnership are deposited with commercial banks and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 per bank. Deposits over this amount subjects the Iredell Partnership to a concentration of credit risk. At June 30, 2006, the Iredell Partnership's bank deposits in excess of the FDIC insured limit was \$18,279.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Iredell 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 Iredell 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 Iredell Partnership was awarded and has received \$1,828,710 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Iredell Partnership has returned \$21,842 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2006.

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

More at Four - The Iredell Partnership also received revenue and support from the State of North Carolina for the More at Four Program. The Iredell Partnership was awarded \$888,927 and received \$853,856 under a current year contract.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Iredell Partnership expects to receive continued funding through new More at Four contracts with the State.

Child Care Resource and Referral Program - The Iredell Partnership's other major source of revenue and support is from the State of North Carolina based on a cost-reimbursement contract with DHHS for the Child Care Resource and Referral Program.

The Iredell Partnership was awarded \$419,783 and has received \$372,574 under a current year contract with DHHS. The unexpended balance of this contract is subject to reversion to the State. The Iredell Partnership has returned \$18,028 of this contract to the State based on financial status reports submitted to the contractor subsequent to June 30, 2006.

The Iredell Partnership expects to receive continued funding through the Child Care Resource and Referral Program.

NOTE 4 - RELATED PARTY TRANSACTIONS

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

NOTE 5 - FUNCTIONAL EXPENDITURES

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

A. Program Functions

Child Care and Education Affordability - Used to account for service activities including part-day care programs.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Child Care and Education Quality - Used to account for service activities including quality enhancement grants for upgrades, child care resource and referral, professional development, salary supplements, health/safety training for child care professionals, learning materials and teaching aids, kindergarten orientation/transition and health insurance benefits for child care providers.

Family Support - Used to account for service activities including ongoing parenting education, general family support, and community outreach information and resources.

Health and Safety - Used to account for service activities including oral health screenings, comprehensive screenings, child abuse and neglect intervention, special needs – early intervention services/special education and transportation to health services.

More at Four - Used to account for development and implementation of More at Four prekindergarten program for at-risk four-year-olds who are at risk of failure in kindergarten. The goal is to provide quality prekindergarten services in order to enhance kindergarten readiness.

B. Support Functions

Fund Raising - Expenditures that are incurred in inducing others to contribute money, securities, time, materials, or facilities for which the contributor will receive no direct economic benefit.

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.

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

C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

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	\$ 147,332
2008	143,879
2009	103,864
2010	97,668
2011	99,624
2012 and beyond (5 yr increments)	<u>152,928</u>
Total Minimum Lease Payments	<u>\$ 745,295</u>

Rental expense for all operating leases during the year was \$160,043.

NOTE 7 - PENSION PLAN

IRC Section 403(b) Plan - Each employee of the Iredell Partnership is provided, as part of the benefits package, an additional 6% of his/her salary to be applied to a retirement plan. The Partnership has no liability for any other cost than the required percentage. All permanent employees who are at least half time can participate in a tax sheltered annuity plan (Plan) created under Internal Revenue Code Section 403(b). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These Plans are exclusively for employees of universities and certain charitable and other nonprofit organization. All costs of administering and funding these Plans are the responsibility of the Plan participants. The Iredell Partnership contributed \$38,276 for retirement benefits during the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 8 - RISK MANAGEMENT

The Iredell 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 Iredell 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 Iredell 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 Iredell 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 \$32,754. 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>
Transportation to Health Services	\$ 1,035
Fundraising/Administration	18,417
Family Support – Parent Education	1,594
Transportation Services	1,512
Family Support General	2,400
Professional Development	2,214
Special Needs – Early Intervention	652
	\$ 27,824

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:

Purpose	Amount
Transportation to Health Services	\$ 128
Fundraising/Administration	5,830
Family Support – General	2,257
Family Support – Latino Outreach	175
Dental Health	3,350
Health Screenings	12,723
Child Abuse & Neglect	5,180
Transportation Services	2,216
	<u>\$ 31,859</u>

***Iredell County Partnership for Young 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>				
Agape Christian Academy	\$ 0	\$ 0	\$ 63,180	\$ 0
Alexander County Partnership for Children			21,066	
Alexander County Schools			21,254	
American Child, Inc.	14,690			
Ashe County Partnership for Children			32,794	
Barium Springs Home for Children	*		302,412	
Bright Start Academy			58,617	
Central Child Development Center	11,440			
Children's Council of Watauga County			53,165	
Fairview Baptist Church Daycare, Inc	10,530			
I-Care, Inc.	*	9,652		
Iredell County Health Department	*	136,155	37,588	
Iredell/Statesville Schools	*		30,038	
J-Bear Child Development Center	23,660			
Kiddie Kollege Early Learning Center, Inc			93,717	
Lifespan Circle School			42,120	
Mitchell Community College	*	4,633		
Mooreville Graded School District	*		60,480	
More at Four-Start-up			23,508	
Statesville Christian Academy	*	10,161	91,611	
Triplett United Methodist Church Child Deveolpment Ctr		13,520		
Tutor Time Childcare & Learning Center			62,478	
Various Child Care Centers	102,664			
Watauga County Schools			3,142	
Wee Ladds & Lassies Child Development Center	15,080			
Wilkes Community Partnership for Children			43,401	
Wilkes County 4-H			4,600	
Wilkes County Schools			9,482	
	<u>352,185</u>		<u>1,054,653</u>	
<i>Paid to Individuals:</i>				
Ladders to Success	36,356		4,744	
Scholarships/Bonus Awards	3,434		3,700	
Car Seats			7,750	
Dental Treatment			3,350	
	<u>39,790</u>		<u>19,544</u>	
	<u>\$ 391,975</u>	<u>\$ 0</u>	<u>\$ 1,074,197</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

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

Schedule 2

Organization Name	DHHS Contracts
Iredell County Department of Social Services	* \$ <u>724,720</u>

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

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

***Iredell 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:				
U.S. Department of Health and Human Services				
Pass-through from the North Carolina Department of				
Health and Human Services - Division of Child Development				
Child Care Development Fund 03-05	93.575	6226	\$ (760)	\$ 30,680
Child Care Development Fund FY 04-05	93.575	107-12	(28,630)	42,577
Child Care Development Fund FY 05-06	93.575	* 107-112	<u>372,574</u>	<u>336,921</u>
Total Federal Awards			<u>343,184</u>	<u>410,178</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 (FY 04)			(1,899)	(1,899)
Early Childhood Initiatives Program (FY 05)			(14,810)	
Early Childhood Initiatives Program (Current Year)		*	1,828,710	1,806,868
Early Childhood Initiatives Program (Current Year)			(21,842)	
Multi-County Accounting and Contracting Grant			12,000	12,000
North Carolina Department of Public Instruction				
NC Children's Trust Fund		EP4204418	3,275	
North Carolina Department of Health and Human Services				
More at Four Pre-Kindergarten Program		2090004337		4,540
More at Four Pre-Kindergarten Program		* 0043-06	845,393	830,738
More at Four Pre-Kindergarten Program		00107-07	<u>8,463</u>	<u>2,863</u>
Total State Awards			<u>2,659,290</u>	<u>2,655,110</u>
Total Federal and State Awards			<u>\$ 3,002,474</u>	<u>\$ 3,065,288</u>

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

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

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

Schedule 4

Furniture and Noncomputer Equipment	\$	85,720
Computer Equipment/Printers		64,139
Buildings		<u>396,893</u>
Total Property and Equipment	\$	<u><u>546,752</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.

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

Schedule 5

Match Provided at the Partnership Level:

Cash	\$	100,209
In-Kind Goods and Services		<u>58,564</u>
	\$	<u><u>158,773</u></u>

Match Provided at the Contractor Level:

Cash	\$	329,213
In-Kind Goods and Services		<u>26,332</u>
	\$	<u><u>355,545</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
Iredell County Partnership for Young Children
Statesville, North Carolina

We have audited the financial statements of the Iredell County Partnership for Young Children (Iredell Partnership) as of and for the year ended June 30, 2006, and have issued our report thereon dated November 9, 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 Iredell 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 Iredell 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

**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)**

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 audit committee, management of the Iredell 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 9, 2006

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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State of North Carolina
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