

**Financial Statement Audit Report of
Rockingham County Partnership for Children, Inc.
Wentworth, 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
Rockingham County Partnership for Children, Inc.
Wentworth, North Carolina
For the Year Ended June 30, 2006**

**Board of Directors
Carol Summerlin, Chair**

**Administrative Officer
Heather Kilpatrick, Executive Director**



STATE OF NORTH CAROLINA
Office of the State Auditor

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AUDITOR'S TRANSMITTAL

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

This report presents the results of the financial statement audit of Rockingham County Partnership for Children, Inc. for the year ended June 30, 2006. Winston, Williams, Creech, Evans and Company, LLP performed the audit under contract with the Office of the State Auditor, and their report is submitted herewith.

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

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

Leslie W. Merritt, Jr.

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State Auditor

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Winston, Williams, Creech, Evans & Company, LLP

Certified Public Accountants



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rockingham County Partnership for Children, Inc.
Wentworth, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Rockingham County Partnership for Children, Inc. (Rockingham 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 Rockingham Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

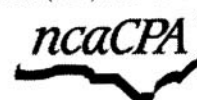
In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of Rockingham County Partnership for Children, Inc. as of June 30, 2006, and the results of its operations arising from modified cash basis transactions for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards* we have also issued a report dated January 25, 2007, on our consideration of the Rockingham 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

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INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with the independent auditor's report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Rockingham 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.

Winston, Williams, Creech, Evans and Company, LLP

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

January 25, 2007

Rockingham 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		
Receipts:				
State Awards (less refunds of \$14,037)	\$ 1,084,980	\$ 724,520	\$ 0	\$ 1,809,500
Federal Awards	0	34,203	0	34,203
Private Contributions	0	17,014	9,422	26,436
Special Fund Raising Events	0	694	0	694
Interest and Investment Earnings	0	6,690	0	6,690
Sales Tax Refunds	0	4,435	0	4,435
Other Receipts	0	5,755	0	5,755
Total Receipts	1,084,980	793,311	9,422	1,887,713
Net Assets Released from Restrictions				
Satisfaction of Program Restrictions		1,036	(1,036)	0
	1,084,980	794,347	8,386	1,887,713
Expenditures:				
Programs:				
Child Care and Education Affordability	128,914	0	0	128,914
Child Care and Education Quality	222,772	52,650	0	275,422
Family Support	181,776	786	0	182,562
Health and Safety	188,891	0	0	188,891
More at Four	212,661	716,316	0	928,977
Support:				
Management and General	113,536	13,572	0	127,108
Program Evaluation	36,298	0	0	36,298
Other:				
Sales Tax Paid	0	5,216	0	5,216
Total Expenditures	1,084,848	788,540	0	1,873,388
Excess of Receipts Over Expenditures	132	5,807	8,386	14,325
Net Assets at Beginning of Year	(132)	24,326	2,460	26,654
Net Assets at End of Year	\$ 0	\$ 30,133	\$ 10,846	\$ 40,979
Net Assets Consisted of:				
Cash and Cash Equivalents	\$ 12,958	\$ 30,133	\$ 10,846	\$ 53,937
Refunds Due from Contractors	1,079	0	0	1,079
	14,037	30,133	10,846	55,016
Less: Due to the State	(14,037)	0	0	(14,037)
	\$ 0	\$ 30,133	\$ 10,846	\$ 40,979

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

Rockingham 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	Participant Training Expenditures
Smart Start Fund:									
Programs:									
Child Care and Education Affordability	\$ 128,914	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 128,914	\$ 0
Child Care and Education Quality	222,772	101,532	3,152	9,312	27,394	2,918	2,425	76,039	0
Family Support	181,776	98,461	4,826	7,452	17,861	1,027	6,487	45,662	0
Health and Safety	188,891	0	0	0	0	0	0	188,891	0
More at Four	212,661	12,190	394	2,058	1,894	120	0	196,005	0
	<u>935,014</u>	<u>212,183</u>	<u>8,372</u>	<u>18,822</u>	<u>47,149</u>	<u>4,065</u>	<u>8,912</u>	<u>635,511</u>	<u>0</u>
Support:									
Management and General	113,536	65,734	10,595	4,969	17,656	8,799	5,783	0	0
Program Evaluation	36,298	22,480	9,514	590	2,906	0	808	0	0
	<u>149,834</u>	<u>88,214</u>	<u>20,109</u>	<u>5,559</u>	<u>20,562</u>	<u>8,799</u>	<u>6,591</u>	<u>0</u>	<u>0</u>
Total Smart Start Fund Expenditures	<u>\$ 1,084,848</u>	<u>\$ 300,397</u>	<u>\$ 28,481</u>	<u>\$ 24,381</u>	<u>\$ 67,711</u>	<u>\$ 12,864</u>	<u>\$ 15,503</u>	<u>\$ 635,511</u>	<u>\$ 0</u>
Other Funds:									
Programs:									
Child Care and Education Quality	\$ 52,650	\$ 19,543	\$ 2,677	\$ 6,018	\$ 6,106	\$ 3,899	\$ 1,680	\$ 0	\$ 12,727
Family Support	786	0	0	486	200	100	0	0	0
More at Four	716,316	33,066	865	1,811	3,379	0	0	677,195	0
	<u>769,752</u>	<u>52,609</u>	<u>3,542</u>	<u>8,315</u>	<u>9,685</u>	<u>3,999</u>	<u>1,680</u>	<u>677,195</u>	<u>12,727</u>
Support:									
Management and General	13,572	0	12,000	0	375	294	903	0	0
	<u>13,572</u>	<u>0</u>	<u>12,000</u>	<u>0</u>	<u>375</u>	<u>294</u>	<u>903</u>	<u>0</u>	<u>0</u>
Other:									
Sales Tax Paid	5,216	0	0	5,216	0	0	0	0	0
	<u>5,216</u>	<u>0</u>	<u>0</u>	<u>5,216</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Funds Expenditures	<u>\$ 788,540</u>	<u>\$ 52,609</u>	<u>\$ 15,542</u>	<u>\$ 13,531</u>	<u>\$ 10,060</u>	<u>\$ 4,293</u>	<u>\$ 2,583</u>	<u>\$ 677,195</u>	<u>\$ 12,727</u>

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Organization and Purpose** - The Rockingham County Partnership for Children, Inc. (Rockingham Partnership) is a legally separate nonprofit organization incorporated on September 14, 1995. The Rockingham Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Rockingham 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 Rockingham 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 Rockingham 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. 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, Rockingham Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Rockingham 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 8.
- I. Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting used by the Rockingham 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 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Rockingham 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 Rockingham 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 Rockingham Partnership was awarded and has received \$1,099,017 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Rockingham Partnership has returned \$14,037 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2006.

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

More at Four - The Rockingham Partnership also received revenue and support from the State of North Carolina for the More at Four Program. The Rockingham Partnership was awarded \$720,240 and received \$712,520 under a current year contract. The Rockingham Partnership expects to receive continued funding through new More at Four contracts with the State.

NOTE 3 - RELATED PARTY TRANSACTIONS

Service Provider Contracts with Board Member Organizations - The board members of the Rockingham Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Rockingham Partnership that board members not be involved with

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

decisions regarding organizations they represent. During the year, the Rockingham 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 Rockingham Partnership's Smart Start Allocation.

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 Affordability - Used to account for service activities associated with child care subsidy administration (Division of Child Development) and child care transportation.

Child Care and Education Quality - Used to account for service activities associated with child care resource and referral, professional development, child care substitutes, salary supplements, provider training, health/safety training for child care professionals, learning materials and teaching aids.

Family Support - Used to account for service activities associated with parenting skills training, ongoing parenting education, general family support, family crisis intervention, literacy projects, family literacy projects, transportation services and community outreach information and resources.

Health and Safety - Used to account for service activities associated with speech and hearing screenings, vision screenings, comprehensive screenings, comprehensive health services, prenatal/newborn services, child care health consultants, comprehensive health support, child abuse and neglect intervention, special needs – early intervention services/special education, transportation to health services, health needs and resources assessment, developmental screenings and home visiting.

More at Four – Used to account for development and implementation of More at Four prekindergarten program for at-risk four-year-olds who are

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at risk of failure in kindergarten. The goal is to provide quality prekindergarten services in order to enhance kindergarten readiness.

B. Support Functions

Management and General - Expenditures that are not identifiable with a single program or fund-raising activity but are indispensable to the conduct of those activities and to an organization's existence, including expenditures for the overall direction of the organization, its general board activities, business management, general recordkeeping, budgeting, and related purposes.

Program 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.

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

NOTE 5 - 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	\$ 828
2008	828
Total Minimum Lease Payments	<u><u>\$ 1,656</u></u>

Rental expense for all operating leases during the year was \$833.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 - PENSION PLAN

Deferred Compensation and Supplemental Retirement Income Plans – IRC Section 403(b) Plan – All permanent employees who are at least half-time can participate in a tax sheltered annuity plan (Plan) created under Internal Revenue Code Section 403(b) after two years of employment. The Plan is a defined contribution plan in which each employee of the Rockingham Partnership, as a condition of employment, is provided an individual annuity through an outside insurance company. The Rockingham Partnership contributed 3% of gross wages for the year ended June 30, 2006. The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These Plans are exclusively for employees of universities and certain charitable and other nonprofit organizations. All costs of administering and funding these Plans are the responsibility of the Plan participants. The Rockingham Partnership contributed \$4,155 for retirement benefits during the year.

NOTE 7 - RISK MANAGEMENT

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

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Compensated Absences – As a result of the Rockingham 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

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

statements. The compensated absences commitment for vacation leave at June 30, 2006, is \$17,508. No funds or reservation of net assets has been made for this commitment.

NOTE 9 - RESTRICTIONS ON NET ASSETS

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

Purpose	Amount
Conscious Discipline Collaborative Expansion Grant	\$ 9,422
Public Awareness - Crusade for Kids	1,424
	<u>\$ 10,846</u>

- 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
Public Awareness - Crusade for Kids	<u>\$ 1,036</u>

Rockingham 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
<i>Paid to Organizations:</i>				
Care-A-Lot Child Development Center/Edu-Care Academy	\$ 51,070	\$ 0	\$ 65,273	\$ 0
Council on Aging	129,814	9	0	0
First Presbyterian Child Development Center	19,610	0	54,272	0
* HELP, Inc.	44,771	0	0	0
Kids World #2 of Stoneville	45,600	0	66,994	0
* Little Kings and Queens Daycare	28,500	0	61,572	0
* Reidsville High School Early Childhood Center	30,870	0	40,142	0
* Rockingham Community College	32,039	243	0	0
* Rockingham County Department of Public Health	189,717	827	0	0
* Rockingham County Schools	0	0	363,205	0
* Western Rockingham Early Childhood Center	20,355	0	25,737	0
	<u>592,346</u>	<u>1,079</u>	<u>677,195</u>	<u>0</u>
<i>Paid to Individuals:</i>				
Education Incentives	38,600	0	0	0
Study Group Awards	5,644	0	0	0
	<u>44,244</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>\$ 636,590</u>	<u>\$ 1,079</u>	<u>\$ 677,195</u>	<u>\$ 0</u>

* This organization is represented on the Partnership's Board as described in Note 3 - Service Provider Contracts with Board Member Organizations.

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

Schedule 2

Organization Name	DHHS Contracts
Child Care Services Association - WAGE\$ Program	\$ 132,517
Rockingham County Department of Social Services	* 348,814
	<u>\$ 481,331</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.

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

Schedule 3

Federal/State Grantor/Pass-through Grantor/Program	Federal CFDA Number	Contract #	Receipts	Expenditures
Federal Awards:				
US Department of Health and Human Services				
Pass-through from the North Carolina Department of Health and Human Services - Division of Child Development				
Pass-through from Guilford Child Development				
Child Care Resource and Referral (Prior Year)	93.575	6228-2	\$ 3,035	\$ 0
Child Care Resource and Referral (Current Year)	93.575	014-06-2	31,168	30,855
Total Federal Awards			<u>34,203</u>	<u>30,855</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	0	(132)
Early Childhood Initiatives Program (Current Year)	*	N/A	1,084,980	1,084,980
Multi-County Accounting and Contracting Grant (Current Year)			12,000	12,000
North Carolina Department of Health and Human Services				
More at Four Pre-Kindergarten Program (Prior Year)		N/A	0	11,608
More at Four Pre-Kindergarten Program (Current Year)	*	N/A	712,520	704,708
Total State Awards			<u>1,809,500</u>	<u>1,813,164</u>
Total Federal and State Awards			<u>\$ 1,843,703</u>	<u>\$ 1,844,019</u>

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

** Major Programs per OMB Circular A-133

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

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

2. 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.

Rockingham 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	\$	13,391
Computer Equipment/Printers		31,024
Buildings		104,475
Land		130,061
Leasehold Improvements		<u>2,557</u>
Total Property and Equipment	\$	<u><u>281,508</u></u>

Note: The information on this schedule provides a summary of property and equipment with acquisition or donated cost of \$500 or more which were held by the Partnership at year end. The valuations represent historical cost. On the modified cash basis of accounting, these items are expensed in the year of purchase.

***Rockingham 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	\$	32,650
In-Kind Goods and Services		<u>9,535</u>
	\$	<u><u>42,185</u></u>

Match Provided at the Contractor Level:

Cash	\$	88,785
In-Kind Goods and Services		<u>88,973</u>
	\$	<u><u>177,758</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.

Winston, Williams, Creech, Evans & Company, LLP

Certified Public Accountants



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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
Rockingham County Partnership for Children, Inc.
Wentworth, North Carolina

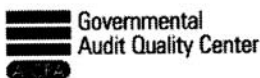
We have audited the financial statements of the Rockingham County Partnership for Children, Inc. (Rockingham Partnership) as of and for the year ended June 30, 2006, and have issued our report thereon dated January 25, 2007. We conducted our audit in accordance with auditing standards generally accepted 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 Rockingham Partnership's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. A reportable condition involves a matter coming to our attention relating to a significant deficiency in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Rockingham Partnership's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is reported, with responses, in the Audit Findings and Recommendations section of this report:

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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 (CONCLUDED)**

Finding 06-1 Contract Monitoring

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rockingham 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is reported, with responses, in the Audit Findings and Recommendations section of this report.

Finding 06-1 Contract Monitoring

We noted certain additional matters that we reported to management of the Rockingham Partnership in a separate letter dated January 25, 2007.

This report is intended solely for the information and use of the audit committee, management of the Rockingham Partnership, The North Carolina Partnership for Children, Inc., the Governor, and the General Assembly and is not intended to be and should not be used by anyone other than these specified parties.

Winston, Williams, Creech, Evans and Company, LLP

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

January 25, 2007

AUDIT FINDINGS AND RECOMMENDATIONS

The following findings and recommendations were identified during the current audit and describe conditions that represent significant deficiencies in internal control and/or noncompliance with laws, regulations, contracts, or grants.

06-1 CONTRACT MONITORING

We identified weaknesses with the Rockingham Partnership's monitoring of service provider activities including the following:

- There was one direct service provider (DSP) which did not receive a program monitoring during the fiscal year. There was turnover at the DSP with the employee who handles this activity. The position was vacant at the time the Rockingham Partnership conducted the program monitoring of the remaining DSPs.
- Our review of the monitoring of the More at Four program noted that the monitoring reports did not include all necessary signatures such as the sight administrator's signature.

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

Recommendation: We recommend that the Rockingham Partnership follow established policies and procedures to ensure all DSPs are properly monitored during the year and all documentation is complete to support this monitoring.

Partnership's Response: During FY05-06, the Partnership went through significant staffing changes during 1st, 2nd, and 3rd quarters. Vacancies in internal positions during this time as well as vacancies at one of our funded programs resulted in one activity not being programmatically monitored for the fiscal year. In review of last year's reports and reports to date for FY06-07, we feel confident that we have a system in place to effectively monitor all funded activities regardless of any personnel changes that may occur.

In review of our More at Four files for FY05-06, we understand the concern regarding monitoring forms not being signed by all appropriate parties. More at Four teachers, site directors, and our in-house More at Four Coordinator have been trained on appropriate procedures for these forms. The lack of signatures in FY05-06 was in part due to a misunderstanding between our Partnership staff and More at Four teachers regarding which party was responsible for signing which forms. For FY06-07, all monitoring forms (both state and local) have been signed by the appropriate parties.

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