

FINANCIAL STATEMENT AUDIT REPORT OF
SAMPSON COUNTY PARTNERSHIP FOR CHILDREN
CLINTON, 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
SAMPSON COUNTY PARTNERSHIP FOR CHILDREN**

CLINTON, NORTH CAROLINA

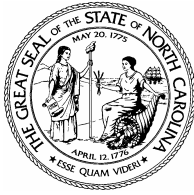
FOR THE YEAR ENDED JUNE 30, 2006

BOARD OF DIRECTORS

WANDA KELLY, BOARD CHAIR

ADMINISTRATIVE OFFICER

VICTORIA BYRD, EXECUTIVE DIRECTOR



STATE OF NORTH CAROLINA
Office of the State Auditor

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

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

AUDITOR'S TRANSMITTAL

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

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

The audit of Sampson County Partnership for Children was made in conjunction with the Early Childhood Initiatives (Smart Start) program authorized by G.S. 143B-168.10-.16. This statute created The North Carolina Partnership for Children, Inc. and required the implementation of local partnerships. Sampson County Partnership for Children is one of these local partnerships. As such, Sampson County Partnership for Children is a private nonprofit 501(c)(3) organization and is required by G.S. 143B-168.14 to have an annual financial and compliance audit conducted by the State Auditor. The State Auditor's authority to perform or coordinate all audit functions for state government is set forth in Article 5 of Chapter 147 of the *North Carolina General Statutes*.

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

Leslie W. Merritt, Jr.

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

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sampson County Partnership for Children
Clinton, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of Sampson County Partnership for Children (Sampson 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 Sampson 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 Sampson County Partnership for Children as of June 30, 2006, and the results of its operations arising from modified cash basis transactions for the year then ended, on the basis of accounting described in Note 1.

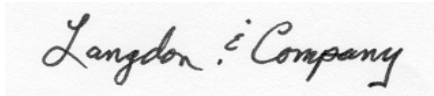
In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2006, on our consideration of the Sampson Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the



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. 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 Sampson 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.



Garner, North Carolina
November 30, 2006

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

Exhibit A

	Unrestricted Funds		Temporarily Restricted Funds	Total Funds
	Smart Start Fund	Other Funds		
Receipts:				
State Awards (less refunds of \$2,767)	\$ 800,852	\$ 730,518	\$ 0	\$ 1,531,370
Federal Awards	0	40,503	0	40,503
Private Contributions	0	1,688	480	2,168
Interest and Investment Earnings	0	80	0	80
Sales Tax Refunds	0	7,819	0	7,819
Other Receipts	0	4,173	0	4,173
Total Receipts	800,852	784,781	480	1,586,113
Expenditures:				
Programs:				
Child Care and Education Quality	337,329	41,807	0	379,136
Family Support	227,878	379	0	228,257
Health and Safety	41,952	303	0	42,255
More at Four	30,167	719,870	0	750,037
Support:				
Management and General	115,055	13,150	0	128,205
Program Coordination	25,068	1,084	0	26,152
Program Evaluation	23,992	0	0	23,992
Other:				
Sales Tax Paid	0	7,803	0	7,803
Total Expenditures	801,441	784,396	0	1,585,837
Excess of Receipts Over Expenditures	(589)	385	480	276
Net Assets at Beginning of Year	589	1,028	0	1,617
Net Assets at End of Year	\$ 0	\$ 1,413	\$ 480	\$ 1,893
Net Assets Consisted of:				
Cash and Cash Equivalents	\$ 94	\$ 2,273	\$ 480	\$ 2,847
Less: Due to the State	8	0	0	8
Funds Held for Others	86	860	0	946
	94	860	0	954
	\$ 0	\$ 1,413	\$ 480	\$ 1,893

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

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

Exhibit B

	Total	Personnel	Contracted Services	Supplies and Materials	Other Operating Expenditures	Fixed Charges and Other Expenditures	Property and Equipment Outlay	Services/ Contracts/ Grants
Smart Start Funds:								
Programs:								
Child Care and Education Quality	\$ 337,329	\$ 189,896	\$ 0	\$ 15,166	\$ 29,300	\$ 34,261	\$ 16,304	\$ 52,402
Family Support	227,878	155,324	1,125	6,354	26,645	13,537	10,953	13,940
Health and Safety	41,952	30,759	0	5,886	3,142	2,090	75	0
More at Four	30,167	30,167	0	0	0	0	0	0
	<u>637,326</u>	<u>406,146</u>	<u>1,125</u>	<u>27,406</u>	<u>59,087</u>	<u>49,888</u>	<u>27,332</u>	<u>66,342</u>
Support:								
Management and General	115,055	71,799	4,778	4,559	18,383	8,561	6,975	0
Program Coordination	25,068	18,116	4,000	114	1,571	1,217	50	0
Program Evaluation	23,992	0	23,992	0	0	0	0	0
	<u>164,115</u>	<u>89,915</u>	<u>32,770</u>	<u>4,673</u>	<u>19,954</u>	<u>9,778</u>	<u>7,025</u>	<u>0</u>
Total Smart Start Fund Expenditures	<u>\$ 801,441</u>	<u>\$ 496,061</u>	<u>\$ 33,895</u>	<u>\$ 32,079</u>	<u>\$ 79,041</u>	<u>\$ 59,666</u>	<u>\$ 34,357</u>	<u>\$ 66,342</u>
Other Funds:								
Programs:								
Child Care and Education Quality	\$ 41,807	\$ 16,802	\$ 980	\$ 9,674	\$ 2,891	\$ 7,705	\$ 2,356	\$ 1,399
Family Support	379	0	0	58	261	0	0	60
Health and Safety	303	0	0	303	0	0	0	0
More at Four	719,870	35,377	14,619	31,402	19,797	25,787	12,588	580,300
	<u>762,359</u>	<u>52,179</u>	<u>15,599</u>	<u>41,437</u>	<u>22,949</u>	<u>33,492</u>	<u>14,944</u>	<u>581,759</u>
Support:								
Management and General	13,150	0	2,354	3,108	2,528	5,160	0	0
Program Coordination	1,084	0	0	1,084	0	0	0	0
	<u>14,234</u>	<u>0</u>	<u>2,354</u>	<u>4,192</u>	<u>2,528</u>	<u>5,160</u>	<u>0</u>	<u>0</u>
Other:								
Sales Tax Paid	7,803	0	0	7,803	0	0	0	0
Total Other Funds Expenditures	<u>\$ 784,396</u>	<u>\$ 52,179</u>	<u>\$ 17,953</u>	<u>\$ 53,432</u>	<u>\$ 25,477</u>	<u>\$ 38,652</u>	<u>\$ 14,944</u>	<u>\$ 581,759</u>

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose – The Sampson County Partnership for Children (Sampson Partnership) is a legally separate nonprofit organization incorporated on March 25, 1998. The Sampson Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Sampson 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 Sampson 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 Sampson 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 funds 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 Sampson Partnership acts in an agency capacity. For the year ended June 30, 2006, the Sampson Partnership was holding amounts withheld from employee paychecks for distribution to taxing authorities.
- G. Property and Equipment** – Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year incurred. However, Sampson Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Sampson 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 Sampson Partnership requires management to make estimates and assumptions that

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

affect certain reported amounts and disclosures (such as allocation of joint costs); accordingly, actual results could differ from those estimates. It is management's belief that these estimates are reasonable and fair.

NOTE 2 - DEPOSITS

All funds of the Sampson Partnership are deposited with a commercial bank and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Deposits over this amount subject the Sampson Partnership to a concentration of credit risk. At June 30, 2006, the Sampson Partnership's bank deposits were not in excess of the FDIC insured limit.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Sampson 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 Sampson 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 Sampson Partnership was awarded and has received \$803,627 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Sampson Partnership has returned \$8 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2006.

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

More at Four – The Sampson Partnership also received revenue and support from the State of North Carolina for the More at Four Program. The Sampson Partnership was awarded \$767,775 and received \$718,518 under a current year

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Regional Child Care Resource & Referral Program (CCR&R) – The Sampson Partnership’s other major source of revenue and support is from the North Carolina Department of Health and Human Services based on a cost-reimbursement pass-through contract with Child Care Directions, Inc. (CCD) for the Regional Child Care Resource & Referral Program.

The Sampson Partnership was awarded and has received \$40,503 under a current year contract.

The Sampson Partnership expects to receive continued funding through new Regional Child Care Resource & Referral Program contracts with CCD.

Multi-County Accounting and Contracting – The Sampson Partnership also received revenue and support from the State of North Carolina for their participation in the Multi-County Accounting and Contracting Program. The unexpended balance of this contract is subject to reversion to the State. The Sampson Partnership was awarded and has received \$12,000 under a current year contract for the payment of administrative and accounting services. The Sampson Partnership expended the entire balance during the current year.

NOTE 4 - RELATED PARTY TRANSACTIONS

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, child care resource and referral, professional development, and kindergarten orientation/transition.

Family Support – Used to account for service activities including parenting education, literacy projects, transportation services, and community outreach information and resources.

Health and Safety – Used to account for service activities including child care health consultation.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

NOTE 6 - OPERATING LEASES

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	\$ 100,800
2008	100,800
2009	85,200
2010	69,600
2011	69,600
Thereafter	34,800
Total Minimum Lease Payments	<u>\$ 460,800</u>

Rental expense for all operating leases during the year was \$77,600.

NOTE 7 - PENSION PLAN

Retirement Plans – The Sampson Partnership has a SIMPLE – IRA Plan covering all full-time employees. Each full-time employee of the Sampson Partnership has an option to participate in the Plan. An Individual Retirement Account is provided to the employee through an outside financial institution. The Sampson Partnership contributed 10% of gross wages for the year ended June 30, 2006; however, there were no employee contributions for the year. The Sampson Partnership does not own the accounts nor is liable for any other cost other than the required contribution. The Sampson Partnership contributed \$37,985 for pension benefits during the year.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

NOTE 8 **RISK MANAGEMENT**

The Sampson 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 Sampson 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 Sampson 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 Sampson 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 \$15,352. No funds or reservation of net assets has been made for this commitment.

NOTE 10 - **RESTRICTIONS ON NET ASSETS**

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

<u>Purpose</u>	<u>Amount</u>
Family Caregiver Support Program	<u>\$ 480</u>

***Sampson 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
Cason's Community Day Care	\$ 0	\$ 0	\$ 58,800	\$ 0
Children's Development Service	13,940	0	0	0
Clinton City Schools	*	0	185,150	0
Countryside Daycare	0	0	121,450	0
Faith Academy	0	0	54,950	0
Great Beginnings	0	0	44,800	0
Little Dolphins Childcare Center	0	0	25,550	0
Mother Earth	0	0	31,150	0
Tom Thumb Academy	0	0	58,450	0
Sampson Community College	*	0	1,399	0
	<u>66,342</u>	<u>0</u>	<u>581,699</u>	<u>0</u>
Individuals:				
Family Caregiver Support Program	0	0	60	0
	<u>\$ 66,342</u>	<u>\$ 0</u>	<u>\$ 581,759</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.

***Sampson 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 Care Services Association-WAGE\$ Program	\$ 81,880
Sampson County Department of Social Services	* 344,883
	<u>\$ 426,763</u>

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

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

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

Schedule 3

<u>Federal/State Grantor/Pass-through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract #</u>	<u>Receipts</u>	<u>Expenditures</u>
Federal Awards:				
U.S. Department of Health & Human Services Pass-through from the North Carolina Department of Health & Human Services - Division of Child Development Pass-through from Child Care Directions, Inc. Child Care Resource and Referral Program	93.575 *	#215-205-C	\$ 40,503	\$ 40,503
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	\$ (2,767)	\$ (2,178)
Early Childhood Initiatives Program (Current Year)	*	N/A	803,619	803,619
Multi-County Accounting and Contracting Grant		N/A	12,000	12,000
North Carolina Department of Health and Human Services More at Four Pre-Kindergarten Program	*	0075-06	718,518	719,870
Total State Awards			1,531,370	1,533,311
Total Federal and State Awards			\$ 1,571,873	\$ 1,573,814

* 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.

Sampson 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	\$ 74,191
Computer Equipment/Printers	<u>50,848</u>
Total Property and Equipment	<u><u>\$ 125,039</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.

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

Schedule 5

Match Provided at the Partnership Level:

Cash	\$ 1,506
In-Kind Goods and Services	<u>40,543</u>
	<u>\$ 42,049</u>

Match Provided at the Contractor Level:

Cash	\$ 57,678
In-Kind Goods and Services	<u>30,386</u>
	<u>\$ 88,064</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.

**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
Sampson County Partnership for Children
Clinton, North Carolina

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

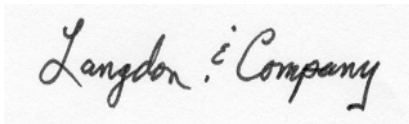
As part of obtaining reasonable assurance about whether the Sampson Partnership's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with



**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 Sampson 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.



Garner, North Carolina
November 30, 2006

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