

**FINANCIAL STATEMENT AUDIT REPORT OF**  
**SCOTLAND COUNTY PARTNERSHIP FOR CHILDREN**  
**AND FAMILIES, INC.**

**LAURINBURG, 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  
SCOTLAND COUNTY PARTNERSHIP FOR CHILDREN  
AND FAMILIES, INC.**

**LAURINBURG, NORTH CAROLINA**

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

**BOARD OF DIRECTORS**

**TERRY CELADON, BOARD CHAIR**

**ADMINISTRATIVE OFFICER**

**ANITA RIOJAS-MAYERS, 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, Scotland County Partnership for Children and Families, Inc.

This report presents the results of our financial statement audit of Scotland County Partnership for Children and Families, Inc. 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 Scotland County Partnership for Children and Families, 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. Scotland County Partnership for Children and Families, Inc. is one of these local partnerships. As such, Scotland County Partnership for Children and Families, 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.*

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

# TABLE OF CONTENTS

---

	PAGE
INDEPENDENT AUDITOR’S REPORT .....	1
FINANCIAL STATEMENTS	
EXHIBITS	
A    Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis .....	3
B    Statement of Functional Expenditures – Modified Cash Basis.....	4
Notes to the Financial Statements.....	5
SUPPLEMENTARY SCHEDULES	
1    Schedule of Contract and Grant Expenditures – Modified Cash Basis .....	12
2    Schedule of State Level Service Provider Contracts.....	13
3    Schedule of Federal and State Awards – Modified Cash Basis .....	14
4    Schedule of Property and Equipment – Modified Cash Basis .....	15
5    Schedule of Qualifying Match (Non-GAAP).....	16
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> .....	17
ORDERING INFORMATION .....	19

---

**INDEPENDENT AUDITOR'S REPORT**

---

Board of Directors  
Scotland County Partnership for Children and Families, Inc.  
Laurinburg, North Carolina

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2006, on our consideration of the Scotland Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

---

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Scotland County Partnership for Children and Families, 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.

Garner, North Carolina

December 21, 2006

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

*Exhibit A*

	Unrestricted Funds		Temporarily Restricted Funds	Total Funds
	Smart Start Fund	Other Funds		
<b>Receipts:</b>				
State Awards (less refunds of \$3,799)	\$ 533,513	39,358	0	\$ 572,871
Federal Awards	0	19,654	18,129	37,783
Local Awards	0	22,825	8,696	31,521
Private Contributions	0	2,183	0	2,183
Special Fund Raising Events	0	1,377	0	1,377
Interest and Investment Earnings	0	331	0	331
Sales Tax Refunds	0	2,442	0	2,442
Other Receipts	0	1,100	0	1,100
<b>Total Receipts</b>	<b>533,513</b>	<b>89,270</b>	<b>26,825</b>	<b>649,608</b>
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	0	27,167	(27,167)	0
	<b>533,513</b>	<b>116,437</b>	<b>(342)</b>	<b>649,608</b>
<b>Expenditures:</b>				
Programs:				
Child Care and Education Quality	295,845	3,321	0	299,166
Family Support	44,199	103,129	0	147,328
Support:				
Fund Raising	0	26	0	26
Management and General	114,645	12,841	0	127,486
Program Coordination	32,992	1,263	0	34,255
Program Evaluation	49,512	268	0	49,780
Other:				
Sales Tax Paid	0	3,230	0	3,230
<b>Total Expenditures</b>	<b>537,193</b>	<b>124,078</b>	<b>0</b>	<b>661,271</b>
<b>Excess of Expenditures Over Receipts</b>	<b>(3,680)</b>	<b>(7,641)</b>	<b>(342)</b>	<b>(11,663)</b>
<b>Net Assets at Beginning of Year</b>	<b>3,680</b>	<b>31,106</b>	<b>27,167</b>	<b>61,953</b>
<b>Net Assets at End of Year</b>	<b>\$ 0</b>	<b>23,465</b>	<b>26,825</b>	<b>\$ 50,290</b>
<b>Net Assets Consisted of:</b>				
Cash and Cash Equivalents	\$ 12,883	23,465	26,825	\$ 63,173
Refunds Due From Contractors	426	0	0	426
	<b>13,309</b>	<b>23,465</b>	<b>26,825</b>	<b>63,599</b>
Less: Due to the State	13,309	0	0	13,309
	<b>\$ 0</b>	<b>23,465</b>	<b>26,825</b>	<b>\$ 50,290</b>

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

**Scotland County Partnership for Children and Families, Inc.**  
**Statement of Functional Expenditures - Modified Cash Basis**  
**For the Year Ended June 30, 2006**

**Exhibit B**

	<b>Total</b>	<b>Personnel</b>	<b>Contracted Services</b>	<b>Supplies and Materials</b>	<b>Other Operating Expenditures</b>	<b>Fixed Charges and Other Expenditures</b>	<b>Property and Equipment Outlay</b>	<b>Services/Contracts/Grants</b>	<b>Participant Training Expenditures</b>
<b>Smart Start Funds:</b>									
<b>Programs:</b>									
Child Care and Education Quality	\$ 295,845	\$ 156,536	\$ 34	\$ 5,497	\$ 16,957	\$ 4,025	\$ 3,056	\$ 109,740	\$ 0
Family Support	44,199	29,011	0	1,094	12,201	1,893	0	0	0
	<u>340,044</u>	<u>185,547</u>	<u>34</u>	<u>6,591</u>	<u>29,158</u>	<u>5,918</u>	<u>3,056</u>	<u>109,740</u>	<u>0</u>
<b>Support:</b>									
Management and General	114,645	69,742	9,011	2,767	14,465	15,134	3,526	0	0
Program Coordination	32,992	14,499	34	3,025	7,933	7,221	280	0	0
Program Evaluation	49,512	38,150	34	1,686	6,629	1,345	1,408	0	260
	<u>197,149</u>	<u>122,391</u>	<u>9,079</u>	<u>7,478</u>	<u>29,027</u>	<u>23,700</u>	<u>5,214</u>	<u>0</u>	<u>260</u>
<b>Total Smart Start Fund Expenditures</b>	<b>\$ 537,193</b>	<b>\$ 307,938</b>	<b>\$ 9,113</b>	<b>\$ 14,069</b>	<b>\$ 58,185</b>	<b>\$ 29,618</b>	<b>\$ 8,270</b>	<b>\$ 109,740</b>	<b>\$ 260</b>
<b>Other Funds:</b>									
<b>Programs:</b>									
Child Care and Education Quality	\$ 3,321	\$ 0	\$ 0	\$ 1,161	\$ 160	\$ 0	\$ 0	\$ 2,000	\$ 0
Family Support	103,129	65,675	4,607	4,820	3,178	0	2,351	22,498	0
	<u>106,450</u>	<u>65,675</u>	<u>4,607</u>	<u>5,981</u>	<u>3,338</u>	<u>0</u>	<u>2,351</u>	<u>24,498</u>	<u>0</u>
<b>Support:</b>									
Fund Raising	26	26	0	0	0	0	0	0	0
Management and General	12,841	0	12,000	378	423	40	0	0	0
Program Coordination	1,263	0	0	1,020	242	0	0	0	0
Program Evaluation	268	0	0	268	0	0	0	0	0
	<u>14,398</u>	<u>26</u>	<u>12,000</u>	<u>1,666</u>	<u>665</u>	<u>40</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Other:</b>									
Sales Tax Paid	3,230	0	0	3,230	0	0	0	0	0
<b>Total Other Funds Expenditures</b>	<b>\$ 124,078</b>	<b>\$ 65,701</b>	<b>\$ 16,607</b>	<b>\$ 10,877</b>	<b>\$ 4,003</b>	<b>\$ 40</b>	<b>\$ 2,351</b>	<b>\$ 24,498</b>	<b>\$ 0</b>

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

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

---

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization and Purpose** - The Scotland County Partnership for Children and Families, Inc. (Scotland Partnership) is a legally separate nonprofit organization incorporated on September 14, 1998. The Scotland Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Scotland 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 Scotland 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 Scotland Partnership did not have any permanently restricted net assets at June 30, 2006.

**C. Basis of Accounting** - The accompanying financial statements were prepared on the modified cash basis of accounting. This basis differs from accounting principles generally accepted in the United States of America primarily because it recognizes long lived assets and other costs which benefit more than one period as expended in the year purchased; it recognizes revenue when received rather than when earned; and it recognizes expenditures when paid rather than when incurred.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

However, unexpended advances to contractors that revert back to the State of North Carolina are recognized as a reduction to expenditures and an increase to net assets. Amounts withheld from employee paychecks or other amounts received in an agency capacity are recorded as funds held for others. In addition, Smart Start funds advanced to the local partnership that are unexpended and unearned at year-end are recorded as 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. 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 incurred. However, Scotland Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Scotland 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. Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting used by the Scotland Partnership requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as allocation of joint costs); accordingly, actual results could differ from those estimates. It is management's belief that these estimates are reasonable and fair.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

### NOTE 2 - DEPOSITS

All funds of the Scotland 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 Scotland Partnership to a concentration of credit risk.

### NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Scotland 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 Scotland 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 Scotland Partnership was awarded and has received \$550,620 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Scotland Partnership has returned \$13,309 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2006.

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

**Safe Schools/Healthy Students Program** – The Scotland Partnership’s other major source of revenue and support is from the United States Department of Education based on a pass-through contract with the Scotland County Board of Education for the Safe Schools/Healthy Students program.

The Scotland Partnership was awarded \$100,000 in the prior year and has received \$37,783 during the current year. As allowed by the grant agreement, the unexpended balance of the contract is available for carry-forward through

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

September 30, 2007, when the contract terminates. Included in temporarily restricted net assets is \$18,129 received but not yet expended for the program.

**System of Care Program Collaborative Agreement** – The Scotland Partnership received revenue and support through a collaborative agreement between the Local Management Entity, County Department of Social Services, the Department of Juvenile Justice and Delinquency Prevention, Judicial District Court, Local Education Agency, County Health Department and the Scotland Partnership to expand a system-of-care approach for services to children at risk for institutionalization or other out of home placement. As part of the agreement, the Scotland Partnership provides administrative and fiscal oversight for a System of Care Coordinator. Scotland Partnership received \$32,100 under the agreement. The Scotland Partnership expects to receive continued funding through new System of Care Program contracts with these entities.

**Adolescent Parenting Program** – The Scotland Partnership also received revenue and support from the State of North Carolina based on a cost-reimbursement contract with DHHS for the Adolescent Parenting Program.

The Scotland Partnership was awarded and has received \$26,160 under a current year contract with DHHS. The unexpended balance of this contract is subject to reversion to the State. The Scotland Partnership has returned \$527 of this contract to the State based on financial status reports submitted to DHHS prior to June 30, 2006.

The Scotland Partnership expects to receive continued funding through new Adolescent Parenting Program contracts with the State.

**Multi-County Accounting and Contracting** – The Scotland 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 Scotland Partnership was awarded and has received \$12,000 under a current year contract for the payment of administrative and accounting services. The Scotland 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 Scotland Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Scotland Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Scotland Partnership entered into contracts with board member organizations for

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

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 Scotland Partnership's Smart Start Allocation.

### NOTE 5 - FUNCTIONAL EXPENDITURES

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

#### A. Program Functions

**Child Care and Education Quality** - Used to account for service activities including quality enhancement grants for upgrades, quality enhancement grants for maintenance, professional development supplements, or learning materials and teaching aids.

**Family Support** - Used to account for service activities including teen parent/child programs, general family support, or community outreach information and resources.

#### 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 effectiveness and feasibility of Partnership activities and contract agencies to determine if the short-term and long term goals are being achieved.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

### 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), 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	<u>\$ 18,600</u>

Rental expense for all operating leases during the year was \$18,600.

### NOTE 7 - PENSION PLAN

**Retirement Plans** - The Scotland Partnership has a Simplified Employee Pension plan (SEP Plan) covering all full-time employees. Each full-time employee of the Scotland Partnership, as a condition of employment, is provided an Individual Retirement Account through an outside insurance company. The Scotland Partnership contributed 6% of gross wages for the year ended June 30, 2006. The Scotland Partnership does not own the accounts nor is liable for any other cost other than the required contribution. The Scotland Partnership contributed \$16,750 for pension benefits during the year.

## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

---

### NOTE 8 - RISK MANAGEMENT

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

### 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:

<u>Purpose</u>	<u>Amount</u>
Safe Schools/Healthy Students	\$ 18,129
System of Care Program	8,696
	<u>\$ 26,825</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:

<u>Purpose</u>	<u>Amount</u>
Safe Schools/Healthy Students	\$ 25,000
Adolescent Parenting Program	1,232
Outreach and Education Grant	903
Community Resource Development	26
Food Lion Grant	6
	<u>\$ 27,167</u>

**Scotland County Partnership for Children and Families, 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
Child Care Directions, Inc.	* \$ 16,224	\$ 426	\$ 0	\$ 0
Children's World Infant & Toddlers	1,996	0	400	0
God's Little Angels #1	3,496	0	700	0
Scotland County Department of Social Services	* 0	0	22,498	0
	<u>21,716</u>	<u>426</u>	<u>23,598</u>	<u>0</u>
<b>Individuals:</b>				
Child Care Wage Education Incentives	87,450	0	0	0
Provider Bonus	1,000	0	900	0
	<u>88,450</u>	<u>0</u>	<u>900</u>	<u>0</u>
	<u>\$ 110,166</u>	<u>\$ 426</u>	<u>\$ 24,498</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.

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

**Schedule 2**

<b>Organization Name</b>	<b>DHHS Contracts</b>
Scotland County Department of Social Services	* \$ <u>261,641</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.

**Scotland County Partnership for Children and Families, 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
<b>Federal Awards:</b>				
US Department of Education				
Pass-through from Scotland County Schools				
Safe Schools/Healthy Students Grant	84.184L *	#Q184L040024	\$ 37,783	\$ 44,654
<b>State Awards:</b>				
North Carolina Department of Health and Human Services				
Division of Public Health				
Adolescent Pregnancy Prevention (Prior Year)		#01093-05	\$ 1,038	\$ 0
Adolescent Pregnancy Prevention (Current Year)	*	#01093-06	25,633	25,633
North Carolina Department of Public Instruction				
Children's Trust Fund (Prior Year)		EP4204409	687	0
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	(3,799)	(119)
Early Childhood Initiatives Program (Current Year)	*	N/A	537,312	537,312
Multi-County Accounting and Contracting Grant		N/A	12,000	12,000
<b>Total State Awards</b>			<u>572,871</u>	<u>574,826</u>
<b>Total Federal and State Awards</b>			<u>\$ 610,654</u>	<u>\$ 619,480</u>

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

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

**Schedule 4**

---

Furniture and Noncomputer Equipment	\$ 26,975
Computer Equipment/Printers	<u>40,280</u>
Total Property and Equipment	<u><u>\$ 67,255</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.

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

**Schedule 5**

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

Cash	\$	42,930
In-Kind Goods and Services		<u>27,613</u>
	\$	<u><u>70,543</u></u>

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

Cash	\$	29,838
In-Kind Goods and Services		<u>2,682</u>
	\$	<u><u>32,520</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.

**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  
Scotland County Partnership for Children and Families, Inc.  
Laurinburg, North Carolina

We have audited the financial statements of the Scotland County Partnership for Children and Families, Inc. (Scotland Partnership) as of and for the year ended June 30, 2006, and have issued our report thereon dated December 21, 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 Scotland 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 Scotland 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



**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)**

---

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*.

We noted certain additional matters that we reported to management of the Scotland Partnership in a separate letter dated December 21, 2006.

This report is intended solely for the information and use of the audit committee, management of the Scotland 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

December 21, 2006

## ORDERING INFORMATION

---

Audit reports issued by the Office of the State Auditor can be obtained from the web site at [www.ncauditor.net](http://www.ncauditor.net). Also, parties may register on the web site to receive automatic email notification whenever reports of interest are issued. Otherwise, copies of this report may be obtained by contacting the:

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

Telephone: 919/807-7500

Facsimile: 919/807-7647