

**FINANCIAL STATEMENT AUDIT REPORT OF
CALDWELL COUNTY SMART START A PARTNERSHIP FOR
YOUNG CHILDREN
LENOIR, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2007**

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
CALDWELL COUNTY SMART START A PARTNERSHIP FOR
YOUNG CHILDREN
LENOIR, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2007**

**BOARD OF DIRECTORS
ROBIN LOWE, BOARD CHAIRMAN**

**ADMINISTRATIVE OFFICER
JERI S. ARLEDGE, 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, Caldwell County Smart Start A Partnership for Young Children

This report presents the results of the financial statement audit of Caldwell County Smart Start A Partnership for Young Children for the year ended June 30, 2007. 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 Caldwell County Smart Start A Partnership for Young 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. The Caldwell County Smart Start A Partnership for Young Children is one of these local partnerships. As such, the Caldwell County Smart Start A Partnership for Young Children is a private nonprofit 501(c)(3) organization and is required by G.S. 143B-168.14(b) to have a 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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Winston, Williams, Creech, Evans & Company, LLP

Certified Public Accountants



The CPA. Never Underestimate The Value.™

James P. Winston II, CPA
Gary L. Williams, CPA
Leonard R. Creech, Jr. CPA
Carleen P. Evans, CPA

Jennifer T. Reese, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Caldwell County Smart Start A Partnership for Young Children
Lenoir, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Caldwell County Smart Start A Partnership for Young Children (Caldwell Partnership) as of June 30, 2007, and the related Statement of Functional Expenditures – Modified Cash Basis for the year then ended. These financial statements are the responsibility of the Caldwell 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 Caldwell County Smart Start A Partnership for Young Children as of June 30, 2007, and its receipts and expenditures for the year ended, on the basis of accounting described in Note 1.

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INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

In accordance with *Government Auditing Standards*, we have also issued a report dated February 19, 2008, on our consideration of the Caldwell Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Caldwell County Smart Start A Partnership for Young Children's basic financial statements. The information in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Schedules 1, 3, 4 and 5 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information in Schedule 2 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on Schedule 2.

Winston, Williams, Creech, Evans and Company, LLP

Winston, Williams, Creech, Evans and Company, LLP
Certified Public Accountants
February 19, 2008

***Caldwell County Smart Start A Partnership for Young Children
Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis
For the Year Ended June 30, 2007***

Exhibit A

	Unrestricted Funds		Total Funds
	Smart Start Fund	Other Funds	
Receipts:			
State Awards	\$ 1,721,353	\$ 319,260	\$ 2,040,613
Federal Awards		30,000	30,000
Private Contributions		2,375	2,375
Special Fund Raising Events		12,230	12,230
Interest and Investment Earnings		122	122
Sales Tax Refunds		2,469	2,469
Other Receipts		18,500	18,500
Total Receipts	1,721,353	384,956	2,106,309
Expenditures:			
Programs:			
Child Care Education Affordability	68,750	500	69,250
Child Care and Education Quality	864,555	2,000	866,555
Family Support	397,234	12,330	409,564
Health and Safety	151,545		151,545
More at Four	19,492	329,216	348,708
Support:			
Fund Raising		2,906	2,906
Management and General	195,414	14,455	209,869
Program Coordination	24,363		24,363
Other:			
Sales Tax Paid		3,528	3,528
Total Expenditures	1,721,353	364,935	2,086,288
Excess of Receipts Over Expenditures	0	20,021	20,021
Net Assets at Beginning of Year		22,946	22,946
Net Assets at End of Year	\$ 0	\$ 42,967	\$ 42,967
Net Assets Consisted of:			
Cash and Cash Equivalents	\$ 45,304	\$ 42,967	\$ 88,271
Refunds Due from Contractors	13,029		13,029
	58,333	42,967	101,300
Less: Due to the State	(58,333)		(58,333)
	\$ 0	\$ 42,967	\$ 42,967

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

**Caldwell County Smart Start A Partnership for Young Children
Statement of Functional Expenditures - Modified Cash Basis
For the Year Ended June 30, 2007**

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	\$ 68,750	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 68,750	\$ 0
Child Care and Education Quality	864,555	42,855		826	2,408	2,064	1,424	814,978	
Family Support	397,234	886	31,256	3,174	4,097	1,784		356,037	
Health and Safety	151,545		48,077	2,587	1,127	1,546		98,208	
More at Four	19,492	16,448		1,719	752	573			
	<u>1,501,576</u>	<u>60,189</u>	<u>79,333</u>	<u>8,306</u>	<u>8,384</u>	<u>5,967</u>	<u>1,424</u>	<u>1,337,973</u>	<u>0</u>
Support:									
Management and General	195,414	115,665	2,872	6,275	28,793	26,733	15,076		
Program Coordination	24,363	22,703		226	675	759			
	<u>219,777</u>	<u>138,368</u>	<u>2,872</u>	<u>6,501</u>	<u>29,468</u>	<u>27,492</u>	<u>15,076</u>	<u>0</u>	<u>0</u>
Total Smart Start Fund Expenditures	<u>\$ 1,721,353</u>	<u>\$ 198,557</u>	<u>\$ 82,205</u>	<u>\$ 14,807</u>	<u>\$ 37,852</u>	<u>\$ 33,459</u>	<u>\$ 16,500</u>	<u>\$ 1,337,973</u>	<u>\$ 0</u>
Other Funds:									
Programs:									
Child Care and Education Affordability	\$ 500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 500	\$ 0
Child Care and Education Quality	2,000							2,000	
Family Support	12,330		416	980	7,909	245		2,680	100
More at Four	329,216	37		5,152	8,684	2,729	14,046	298,544	24
	<u>344,046</u>	<u>37</u>	<u>416</u>	<u>6,132</u>	<u>16,593</u>	<u>2,974</u>	<u>14,046</u>	<u>303,724</u>	<u>124</u>
Support:									
Fund Raising	2,906				2,886	20			
Management and General	14,455		12,000	(17)	2,074	398			
	<u>17,361</u>	<u>0</u>	<u>12,000</u>	<u>(17)</u>	<u>4,960</u>	<u>418</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other:									
Sales Tax Paid	3,528			3,528					
	<u>3,528</u>	<u>0</u>	<u>0</u>	<u>3,528</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Funds Expenditures	<u>\$ 364,935</u>	<u>\$ 37</u>	<u>\$ 12,416</u>	<u>\$ 9,643</u>	<u>\$ 21,553</u>	<u>\$ 3,392</u>	<u>\$ 14,046</u>	<u>\$ 303,724</u>	<u>\$ 124</u>

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

**CALDWELL COUNTY SMART START A PARTNERSHIP FOR YOUNG CHILDREN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose - The Caldwell County Smart Start A Partnership for Young Children (Caldwell Partnership) is a legally separate nonprofit organization incorporated on April 8, 2004. The Caldwell Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Caldwell 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 Caldwell Partnership's Board of Directors is responsible. Pursuant to the provisions of Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-For-Profit Organizations, the accompanying financial statements present information according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by this Statement, temporarily restricted contributions received and expended in the same year are reported as unrestricted receipts rather than as temporarily restricted receipts.

The Caldwell Partnership did not have any temporarily or permanently restricted net assets at June 30, 2007.

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

However, unexpended advances to contractors that revert back to the State of North Carolina are recognized as a reduction to expenditures and an increase to net assets. Amounts withheld from employee paychecks or other amounts received in an agency capacity are recorded as funds held for others. In addition, Smart Start funds advanced to the Local Partnership that are unexpended and unearned at year end are recorded as a Due to the State.

D. Cash and Cash Equivalents - This classification appears on the Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis and includes all demand and savings accounts and certificate of

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, Caldwell Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Caldwell 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, 2007. 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 Caldwell 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.

NOTE 2 - DEPOSITS AND INVESTMENTS

All Funds of Caldwell County Smart Start A Partnership for Young Children are deposited with Branch Bank and Trust and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Deposits over this amount

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

subjects Caldwell County Smart Start A Partnership for Young Children to a concentration of credit risk. At June 30, 2007, Caldwell County Smart A Partnership for Young Children's bank deposits in excess of the FDIC insured limit was \$16,881.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Caldwell 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 Caldwell 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 Caldwell Partnership was awarded and has received \$1,779,686 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Caldwell Partnership has returned \$58,333 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2007.

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

More at Four - The Caldwell Partnership also received revenue and support from the State of North Carolina for the More at Four Program. The Caldwell Partnership was awarded \$307,260 under a current year contract. The Caldwell Partnership expects to receive continued funding through new More at Four contracts with the State

NOTE 4 - RELATED PARTY TRANSACTIONS

Service Provider Contracts with Board Member Organizations - The board members of the Caldwell Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

the Caldwell Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Caldwell 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 Caldwell Partnership's Smart Start Allocation.

NOTE 5 - FUNCTIONAL EXPENDITURES

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

A. Program Functions

Child Care and Education Affordability - Used to account for service activities, child care subsidy administration (Division of Child Development).

Child Care and Education Quality - Used to account for service activities including quality enhancement grants for upgrades, quality enhancement grants for maintenance, child care resource and referral, professional development, salary supplements, provider training programs, health/safety training for child care professionals, special needs – support for child care professionals, or health insurance benefits for child care providers.

Family Support - Used to account for service activities including family resource center, ongoing parenting education, literacy projects or family support needs and resources assessments.

Health and Safety - Used to account for service activities including comprehensive health services or child care health consultants.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

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 6 - LEASE OBLIGATIONS

A. **Operating Lease Obligations** - Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2007:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2008	\$ 30,000
2009	<u>7,500</u>
Total Minimum Lease Payments	<u>\$ 37,500</u>

Rental expense for all operating leases during the year was \$30,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

B. Capital Lease Obligations – Capital lease obligations relating to copier equipment are recorded at the present value of the minimum lease payments. Future minimum lease payments under capital lease obligations consist of the following at June 30, 2007:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2008	\$ 5,667
2009	<u>5,667</u>
Total Minimum Lease Payments	<u>\$ 11,334</u>

NOTE 7 - PENSION PLAN

Retirement Plans - The Caldwell Partnership has a SIMPLE – IRA plan covering all full-time employees. Each full-time employee of the Caldwell Partnership has an option to participate in the Plan. An individual Retirement Account is provided to the employee through an outside financial institution. The Caldwell Partnership contributed 4% of gross wages for the year ended June 30, 2007. The Caldwell Partnership does not own the accounts nor is liable for any other cost other than the required contribution. The Caldwell Partnership contributed \$4,502 for pension benefits during the year.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Compensated Absences - As a result of the Caldwell 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, 2007, is \$1,445. No funds or reservation of net assets has been made for this commitment.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

NOTE 9 - RISK MANAGEMENT

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

***Caldwell County Smart Start A Partnership for Young Children
Schedule of Contract and Grant Expenditures - Modified Cash Basis
For the Year Ended June 30, 2007***

Schedule 1

Organization Name	Smart Start Fund		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
<i>Paid to Organizations:</i>				
Blue Ridge Community Action, Inc.	* \$ 0	\$ 0	\$ 77,428	\$ 0
Caldwell Committee for Healthy Families	3,900			
Caldwell Community College	* 97,397			
Caldwell County Health Department	* 60,310	1,102		
Caldwell County Schools	* 302,367		152,022	
Child Care Connections of Burke County	* 636,705	11,927		
Creative Beginnings of Lenoir			69,094	
The Riddle Institute	* 115,000			
	<u>\$ 1,215,679</u>	<u>\$ 13,029</u>	<u>\$ 298,544</u>	<u>\$ 0</u>
<i>Individuals for the purpose of:</i>				
Walk Smart Mini Grants			5,000	
Family Fun Day Stipends	3,520		180	
Insurance Benefit Package for Providers	131,803			
	<u>\$ 135,323</u>	<u>\$ 0</u>	<u>\$ 5,180</u>	<u>\$ 0</u>
	<u>\$ 1,351,002</u>	<u>\$ 13,029</u>	<u>\$ 303,724</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.

***Caldwell County Smart Start A Partnership for Young Children
 Schedule of a State Level Service Provider Contracts
 For the Year Ended June 30, 2007***

Schedule 2

Organization Name	DHHS Contracts
Caldwell County Department of Social Services	* \$ <u>721,261</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.

***Caldwell County Smart Start A Partnership for Young Children
Schedule of Federal and State Awards - Modified Cash Basis
For the Year Ended June 30, 2007***

Schedule 3

Federal/State Grantor/Pass-through Grantor/Program	Federal CFDA Number	Contract #	Receipts	Expenditures
Federal Awards:				
US Department of Education				
Pass-through from the North Carolina Department of Public Instruction				
Pass-through from Caldwell County Schools				
Title I Grants to Local Educational Agencies				
More at Four - Valmead Basic School & Gamewell Elementary	84.010A	N/A	\$ 30,000	\$ 30,000
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	*	N/A	1,721,353	1,721,353
Multi-County Accounting and Contracting Grant			12,000	12,000
North Carolina Department of Public Instruction				
Office of School Readiness				
More at Four Pre-Kindergarten Program		0014-07	307,260	286,137
Total State Awards			<u>2,040,613</u>	<u>2,019,490</u>
Total Federal and State Awards			<u>\$ 2,070,613</u>	<u>\$ 2,049,490</u>

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

***Caldwell County Smart Start A Partnership for Young Children
Schedule of Property and Equipment - Modified Cash Basis
For the Year Ended June 30, 2007***

Schedule 4

Furniture and Noncomputer Equipment	\$	12,932
Computer Equipment/Printers		14,549
Motor Vehicles		<u>123,145</u>
Total Property and Equipment	\$	<u><u>150,626</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.

***Caldwell County Smart Start A Partnership for Young Children
Schedule of Qualifying Match (Non-GAAP)
For the Year Ended June 30, 2007***

Schedule 5

Match Provided at the Partnership Level:

Cash	\$	32,000
In-Kind Goods and Services		<u>5,668</u>
	\$	<u><u>37,668</u></u>

Match Provided at the Contractor Level:

Cash	\$	<u>131,521</u>
	\$	<u><u>131,521</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
Caldwell County Smart Start A Partnership for Young Children
Lenoir, North Carolina

We have audited the financial statements of the Caldwell County Smart Start A Partnership for Young Children (Caldwell Partnership) as of and for the year ended June 30, 2007, and have issued our report thereon dated February 19, 2008. 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 Caldwell County Smart Start A Partnership for Young Children's internal control over financial reporting as a basis for designing our auditing procedures for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Caldwell County Smart Start A Partnership for Young Children's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Caldwell County Smart Start A Partnership for Young Children's internal control over financial reporting.

A control deficiency exists when the design or the operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Caldwell County Smart Start A Partnership for Young Children's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Caldwell County

**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)**

Smart Start A Partnership for Young Children’s financial statements that is more than inconsequential will not be prevented or detected by the Caldwell County Smart Start A Partnership for Young Children’s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the Caldwell County Smart Start A Partnership for Young Children’s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Caldwell County Smart Start A Partnership for Young Children’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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Caldwell County Smart Start A Partnership for Young Children in a separate letter dated February 19, 2008.

This report is intended solely for the information and use of the Board of Directors, management of the Caldwell 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
February 19, 2008

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