

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

ROXBORO, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2007

**PERFORMED UNDER CONTRACT WITH THE
OFFICE OF THE STATE AUDITOR**

**LESLIE W. MERRITT, JR., CPA, CFP
STATE AUDITOR**

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PERSON COUNTY PARTNERSHIP FOR CHILDREN

ROXBORO, NORTH CAROLINA

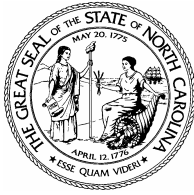
FOR THE YEAR ENDED JUNE 30, 2007

BOARD OF DIRECTORS

SHADY TERRELL, BOARD CHAIR

ADMINISTRATIVE OFFICER

JUDY R. BATTEN, 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, Person County Partnership for Children

This report presents the results of the financial statement audit of Person County Partnership for Children for the year ended June 30, 2007. *Foster & Dorr P.C.* performed the audit under contract with the Office of the State Auditor, and their report is submitted herewith.

The audit of the Person 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. The Person County Partnership for Children is one of these local partnerships. As such, the Person County Partnership for 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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Foster & Dorr P.C.
CERTIFIED PUBLIC ACCOUNTANTS
BALLOU PARK SHOPPING CENTER
P. O. BOX 2100
DANVILLE, VIRGINIA 24541

W. JOE FOSTER, CPA
ROBERT D. DORR, CPA

TELEPHONE: (434) 792-2101
FAX: (434) 799-1409

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Person County Partnership for Children
Roxboro, North Carolina

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

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

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

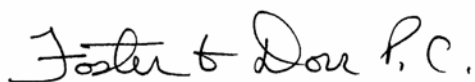
In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Person County Partnership for Children as of June 30, 2007, and its receipts and expenditures for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2008, on our consideration of the Person County 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.

Foster & Dorr P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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



Certified Public Accountants

January 25, 2008

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

	Unrestricted Funds		Temporarily Restricted Funds	Total Funds
	Smart Start Fund	Other Funds		
Receipts:				
State Awards	\$ 721,058	\$ 376,126	\$ -	\$ 1,097,184
Federal Awards	-	176,796	-	176,796
Local Awards	-	14,178	-	14,178
Private Contributions	-	3,555	18,033	21,588
Interest and Investment Earnings	-	2,594	-	2,594
Sales Tax Refunds	-	1,494	-	1,494
Other Receipts	-	2,108	-	2,108
Total Receipts	721,058	576,851	18,033	1,315,942
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	-	8,385	(8,385)	-
	721,058	585,236	9,648	1,315,942
Expenditures:				
Programs:				
Child Care and Education Affordability	70,686	-	-	70,686
Child Care and Education Quality	218,854	168,555	-	387,409
Family Support	140,463	13,158	-	153,621
Health and Safety	117,883	-	-	117,883
More at Four	13,750	361,852	-	375,602
Support:				
Management and General	127,730	17,435	-	145,165
Program Coordination	-	2,080	-	2,080
Program Evaluation	31,692	-	-	31,692
Other:	-	-	-	-
Sales Tax Paid	-	1,337	-	1,337
Total Expenditures	721,058	564,417	-	1,285,475
Excess of Receipts Over Expenditures	-	20,819	9,648	30,467
Net Assets at Beginning of Year	-	130,123	31,752	161,875
Net Assets at End of Year	\$ -	\$ 150,942	\$ 41,400	\$ 192,342
Net Assets Consisted of:				
Cash and Cash Equivalents	\$ 6,858	\$ 150,918	\$ 41,400	\$ 199,176
Refunds Due From Contractors	1,199	-	-	1,199
	8,057	150,918	41,400	200,375
Less: Due to the State	8,057	-	-	8,057
Funds Held for Others	-	(24)	-	(24)
	\$ -	\$ 150,942	\$ 41,400	\$ 192,342

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

***Person County Partnership for Children
Statement of Functional Expenditures - Modified Cash Basis
For the Year Ended June 30, 2007***

Exhibit B

	<u>Total</u>	<u>Personnel</u>	<u>Contracted Services</u>	<u>Supplies and Materials</u>	<u>Other Operating Expenditures</u>	<u>Fixed Charges and Other Expenditures</u>	<u>Property and Equipment Outlay</u>	<u>Services/ Contracts/ Grants</u>
Smart Start Fund:								
Programs:								
Child Care and Education Affordability	\$ 70,686	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 70,686
Child Care and Education Quality	218,854	75,088	5,825	4,031	10,938	7,517	2,521	112,934
Family Support	140,463	8,185	13,170	1,540	2,889	496	972	113,211
Health and Safety	117,883	-	-	-	-	-	-	117,883
More at Four	13,750	-	-	-	-	-	-	13,750
	<u>561,636</u>	<u>83,273</u>	<u>18,995</u>	<u>5,571</u>	<u>13,827</u>	<u>8,013</u>	<u>3,493</u>	<u>428,464</u>
Support:								
Management and General	127,730	99,568	2,138	4,651	8,191	10,575	2,607	-
Program Evaluation	31,692	15,166	11,662	353	2,369	1,100	1,042	-
	<u>159,422</u>	<u>114,734</u>	<u>13,800</u>	<u>5,004</u>	<u>10,560</u>	<u>11,675</u>	<u>3,649</u>	<u>-</u>
Total Smart Start Fund Expenditures	<u>\$ 721,058</u>	<u>\$ 198,007</u>	<u>\$ 32,795</u>	<u>\$ 10,575</u>	<u>\$ 24,387</u>	<u>\$ 19,688</u>	<u>\$ 7,142</u>	<u>\$ 428,464</u>
Other Funds:								
Programs:								
Child Care and Education Quality	\$ 168,555	\$ 43,171	\$ -	\$ 1,828	\$ 2,522	\$ 2,676	\$ 2,534	\$ 115,824
Family Support	13,158	-	-	12,138	617	63	-	340
More at Four	361,852	14,403	-	230	988	851	670	344,710
	<u>543,565</u>	<u>57,574</u>	<u>-</u>	<u>14,196</u>	<u>4,127</u>	<u>3,590</u>	<u>3,204</u>	<u>460,874</u>
Support:								
Management and General	17,435	-	9,200	2,194	2,743	1,435	1,758	105
Program Coordination	2,080	1,667	-	70	204	139	-	-
	<u>19,515</u>	<u>1,667</u>	<u>9,200</u>	<u>2,264</u>	<u>2,947</u>	<u>1,574</u>	<u>1,758</u>	<u>105</u>
Other:								
Sales Tax Paid	1,337	-	-	1,337	-	-	-	-
Total Other Funds Expenditures	<u>\$ 564,417</u>	<u>\$ 59,241</u>	<u>\$ 9,200</u>	<u>\$ 17,797</u>	<u>\$ 7,074</u>	<u>\$ 5,164</u>	<u>\$ 4,962</u>	<u>\$ 460,979</u>

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

PERSON COUNTY PARTNERSHIP FOR CHILDREN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose - The Person County Partnership for Children (Person County Partnership) is a legally separate nonprofit organization incorporated on January 20, 1994. The Person County Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Person County 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 Person County 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 Person County Partnership did not have any 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.

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 a Due to the State.

- D. Cash and Cash Equivalents** – This classification appears on the Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis and includes all demand and savings accounts and certificate of deposits or short-term investments with an original maturity of three months or less.
- E. Refunds Due From Contractors** - Refunds due from contractors represent the unexpended amount of advances to contractors at year-end that are to be refunded back to the State. As recoveries are collected, the receivable balance is reduced. Payments to the State for the recovered advances are recorded as a reduction to the State awards balance.
- F. Due to the State** – The funding provided by the State of North Carolina for the Smart Start program is funded on a cost reimbursement basis. The money is earned to the extent of allowable costs incurred. Any unexpended funds as of June 30 are required to be reverted to The North Carolina Partnership for Children, Inc. to be returned to the State of North Carolina.
- G. Funds Held For Others** - Funds held for others includes amounts received that are fiduciary in nature in which the Person Partnership acts in an agency capacity. The Person Partnership withholds amounts from employee paychecks for distribution to taxing authorities and others. At June 30, 2007, the Person Partnership was holding funds that had been withheld for employee health insurance in the amount of \$24.
- H. Property and Equipment** – Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year occurred. However, Person County Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Person County 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- I. 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.
- J. Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting used by the Person County 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

All funds of the Person Partnership are deposited with commercial banks and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Deposits over this amount subjects the Person Partnership to a concentration of credit risk. At June 30, 2007, the Person Partnership's bank deposits in excess of the FDIC insured limit was \$104,309.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Person 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 Person 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 Person Partnership was awarded and has received \$729,115 under a current year Smart Start contract with NCPC. The unexpended balance of this

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

contract is subject to reversion to the State. The Person Partnership has returned \$8,057 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2007.

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

Child and Adult Care Food Program - The Person County Partnership also received revenue and support from the State of North Carolina based on a cost-reimbursement contract with DHHS for the Child and Adult Care Food Program. The Person County Partnership was awarded and received \$148,043 under a current year contract with DHHS. The unexpended balance of this contract is subject to reversion to the State.

The Person County Partnership expects to receive continued funding through new Child and Adult Care Food Program contracts with the State.

Early Learning Opportunities Act Discretionary Grant - The Person County Partnership also received revenue and support from the Federal Department of Health and Human Services based on a cost-reimbursement contract with DHHS for the Early Learning Opportunities Act Discretionary Grant Program. The Person County Partnership was awarded \$319,902 under a one year contract that ended September 30, 2006 with DHHS and received \$9,566 of this amount over the three months of the contract in the current fiscal year.

More at Four – The Person County Partnership also received revenue and support from the State of North Carolina for the More at Four Program. The Person County Partnership was awarded and received \$364,126 under a current year cost-reimbursement contract.

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

Child Care Services Association – The Person County Partnership also received revenue and support from the State of North Carolina based on a cost-reimbursement contract with DHHS that flows through Child Care Services Association. The Person County Partnership was awarded \$19,187 under a current year contract with Child Care Services Association. The Person County Partnership has expended all funds subsequent to June 30, 2007.

The Person County Partnership expects to receive continued funding through new Child Care Services Association contracts with the State.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 - RELATED PARTY TRANSACTIONS

Service Provider Contracts with Board Member Organizations - The board members of the Person Partnership are representative of various organizations that benefit from actions taken by the Board. As a matter of Person Partnership policy, board members are not involved with decisions regarding organizations they represent. During the year, the Person 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 contacts entered into by DHHS with the board member organizations for activities funded by the Person Partnership's Smart Start allocation.

NOTE 5 - FUNCTIONAL EXPENDITURES

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

A. Program Functions

Child Care and Education Affordability - Used to account for service activities including Headstart expansion, childcare subsidy, and supplements for quality.

Child Care and Education Quality - Used to account for service activities including quality enhancement grants for upgrades, child care resource and referral, professional development, salary supplements, provider training, mentoring programs, behavior intervention, or curriculum enhancements.

Family Support - Used to account for service activities including family resource centers, parenting education, general family support, family crisis intervention, literacy projects, family literacy projects, transportation services, community outreach information and resources, or family support needs and resources assessments.

Health and Safety - Used to account for service activities including oral health services, speech and hearing screenings, vision screenings, comprehensive screenings, comprehensive health services, prenatal/newborn services, child care health consultants, comprehensive

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

health support, child abuse and neglect intervention, special needs - early intervention services/special education, health needs and resources assessment, developmental screenings, nutrition programs, or home visiting.

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

B. Support Functions

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

Program Coordination - Expenditures that are incurred to coordinate the policies, procedures, and daily practices of service delivery. Also, costs associated with monitoring in-house and direct service provider activities.

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

C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

Salaries and Benefits - Direct allocation based on actual time spent by employee's 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 - 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	\$ 18,661
2009	18,661
2010	6,838
2011	<u>462</u>
Total Minimum Lease Payments	<u>\$ 44,622</u>

Rental expense for all operating leases during the year was \$19,127.

NOTE 7 - PENSION PLAN

A. Retirement Plans - The Person Partnership has a defined contribution plan covering all employees. Each full-time employee of the Person Partnership, as a condition of employment, is provided an individual annuity through an outside insurance company. The Person Partnership contributed \$75 per month for each employee for the year ended June 30, 2007. The Person Partnership does not own the annuities nor is liable for any other cost other than the required contribution. The Person Partnership contributed \$4,701 for pension benefits during the year.

B. IRC Section 403(b) Plan - All permanent employees who are at least half-time can participate in a tax sheltered annuity plan (Plan) created under Internal Revenue Code Section 403(b). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These Plans are exclusively for employees of universities and certain charitable and other nonprofit organizations. All costs of administering and funding these Plans are the responsibility of the Plan participants. The Person Partnership incurred no costs.

NOTE 8 - RISK MANAGEMENT

The Person County 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.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

The Person County 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 Person County 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 Person County 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 \$10,410. No funds or reservation of net assets has been made for this commitment.

NOTE 10 - RESTRICTIONS ON NET ASSETS

A. Temporarily Restricted Net Assets - Temporarily restricted net assets at June 30, 2007, are available for the following purposes:

<u>Purpose</u>	<u>Amount</u>
Target Reach Out and Read	\$ 3,050
Week of the Young Child	4,616
Dollywood Program United Way	8,232
Dollywood Private	25,502
	<u>\$ 41,400</u>

B. Net Assets Released From Donor Restrictions - Net assets were released from donor restrictions during the fiscal year ended June 30, 2007, by incurring expenditures satisfying the restricted purposes as follows:

<u>Purpose</u>	<u>Amount</u>
Covey	\$ 40
Dollywood Program United Way	8,734
	<u>\$ 8,385</u>

***Person County Partnership for 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>				
Dollywood Foundation	\$ 23,793	\$ -	\$ -	\$ -
* Person County Board of Education	215,258	1,199	289,610	-
* Person County Counseling Center	8,356	-	-	-
* Person County Health Department	49,644	-	-	-
* Piedmont Community College	30,784	-	-	-
* Piedmont Community College Child Development Center	13,750	-	55,440	-
	<u>341,585</u>	<u>1,199</u>	<u>345,050</u>	<u>-</u>
<i>Paid to Individuals:</i>				
Child Care Expense Reimbursements	5,928	-	-	-
Professional Development Supplements	82,150	-	-	-
Child and Adult Care Food Program	-	-	115,929	-
	<u>88,078</u>	<u>-</u>	<u>115,929</u>	<u>-</u>
	<u>\$ 429,663</u>	<u>\$ 1,199</u>	<u>\$ 460,979</u>	<u>\$ -</u>

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

***Person County Partnership for Children
Schedule of State Level Service Provider Contracts
For the Year Ended June 30, 2007***

Schedule 2

Organization Name	DHHS Contracts
* Person County Department of Social Services	<u>\$ 256,915</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.

***Person County Partnership for Children
Schedule of Federal and State Awards - Modified Cash Basis
For the Year Ended June 30, 2007***

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:				
US Department of Agriculture Pass-through from the North Carolina Department of Health and Human Services - Division of Public Health Child and Adult Care Food Program	10.558	7095	\$ 148,043	\$ 147,143
US Department of Health and Human Services Pass-through from the North Carolina Division of Child Development to Child Care Services Association	93.575	CCSA	19,187	19,187
US Department of Health and Human Services Pass-through from the North Carolina Division of Child Development to Child Care Services Association Federal Early Learning Opportunity Grant	93.577	90LO0124/01	9,566	6,419
US Department of Health and Human Services Pass-through from the North Carolina Division of Mental Health to OPC (Prior Year)		N/A		85
Total Federal Awards			<u>176,796</u>	<u>172,834</u>
State Awards:				
North Carolina Department of Health and Human Services Division of Child Development Pass-through from the North Carolina Partnership for Children, Inc.				
Early Childhood Initiatives Program	*	N/A	721,058	721,179
Multi-County Accounting and Contracting Grant		N/A	12,000	12,000
North Carolina Department of Public Instruction, Office of School Readiness More at Four Pre-Kindergarten Program		N/A	364,126	361,852
North Carolina Division of Child Development (Prior Year)				53
Total State Awards			<u>1,097,184</u>	<u>1,095,084</u>
Total Federal and State Awards			<u>\$ 1,273,980</u>	<u>\$ 1,267,918</u>

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

***Person County Partnership for Children
Schedule of Property and Equipment - Modified Cash Basis
For the Year Ended June 30, 2007***

Schedule 4

Furniture and Noncomputer Equipment	\$ 11,322
Computer Equipment/Printers	<u>22,849</u>
Total Property and Equipment	<u><u>\$ 34,171</u></u>

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

***Person County Partnership for Children
Schedule of Qualifying Match (Non-GAAP)
For the Year Ended June 30, 2007***

Schedule 5

Match Provided at the Partnership Level:

Cash	\$ 21,539
In-Kind Goods and Services	<u>76,203</u>
	<u><u>\$ 97,742</u></u>

Match Provided at the Contractor Level:

Cash	\$ 31,508
In-Kind Goods and Services	<u>4,844</u>
	<u><u>\$ 36,352</u></u>

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 2005-276, Section 10.64(c). The North Carolina Partnership for Children, Inc. and all local partnerships are required to match the total amount budgeted for the Smart Start Program in each fiscal year. The match is comprised of both cash and in-kind amounts. Only in-kind contributions that are verifiable, quantifiable, and related to the Smart Start Program can be applied to the in-kind match requirement, including volunteer services. The law allows for volunteer services to be valued for match purposes, a concept that deviates from generally accepted accounting principles. This schedule identifies those amounts allowable for this partnership in meeting the statewide match requirement.

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Foster & Dorr P.C.
CERTIFIED PUBLIC ACCOUNTANTS
BALLOU PARK SHOPPING CENTER
P. O. BOX 2100
DANVILLE, VIRGINIA 24541

W. JOE FOSTER, CPA
ROBERT D. DORR, CPA

TELEPHONE: (434) 792-2101
FAX: (434) 799-1409

**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
Person County Partnership for Children
Roxboro, North Carolina

We have audited the financial statements of the Person County Partnership for Children (Person County Partnership) as of and for the year ended June 30, 2007, and have issued our report thereon dated January 25, 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 Person County Partnership's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Person County Partnership's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Person County Partnership's internal control over financial reporting.

A control deficiency exists when the design or 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 Person County Partnership'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 Person County Partnership's financial statements that is more than inconsequential will not be prevented or detected by the Person County Partnership's internal control.

Foster & Dorr P.C.
CERTIFIED PUBLIC ACCOUNTANTS

**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)**

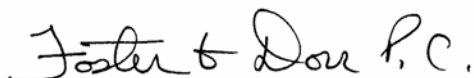
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Person County Partnership's internal control.

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 Person County Partnership's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 Person County Partnership's Board of Directors, management of the Person County Partnership, The North Carolina Partnership for Children, Inc., the Governor, and the General Assembly of North Carolina and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

January 25, 2008

ORDERING INFORMATION

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

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