

**CARTERET COUNTY PARTNERSHIP  
FOR CHILDREN  
Morehead City, North Carolina**

**FINANCIAL STATEMENTS  
June 30, 2007**

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

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

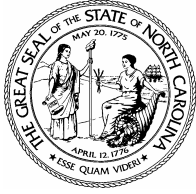
**FINANCIAL STATEMENT AUDIT REPORT OF  
CARTERET COUNTY PARTNERSHIP FOR CHILDREN  
MOREHEAD CITY, NORTH CAROLINA  
FOR THE YEAR ENDED JUNE 30, 2007**

**BOARD OF DIRECTORS**

**GREG POWELL, BOARD CHAIR**

**ADMINISTRATIVE OFFICER**

**SHERRY PEEL, EXECUTIVE DIRECTOR**



STATE OF NORTH CAROLINA  
Office of the State Auditor

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**AUDITOR'S TRANSMITTAL**

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

This report presents the results of the financial statement audit of Carteret County Partnership for Children for the year ended June 30, 2007. Clifton Gunderson LLP performed the audit under contract with the Office of the State Auditor, and their report is submitted herewith.

The audit of the Carteret 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 Carteret County Partnership for Children is one of these local partnerships. As such, the Carteret 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

## TABLE OF CONTENTS

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	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 Financial Statements .....	5
SUPPLEMENTARY SCHEDULES	
1    Schedule of Contract and Grant Expenditures – Modified Cash Basis.....	11
2    Schedule of State Level Service Provider Contracts .....	12
3    Schedule of Federal and State Awards – Modified Cash Basis.....	13
4    Schedule of Property and Equipment – Modified Cash Basis.....	14
5    Schedule of Qualifying Match (Non-GAAP) .....	15
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> .....	16
ORDERING INFORMATION.....	18

## INDEPENDENT AUDITOR'S REPORT

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Board of Directors  
Carteret County Partnership for Children  
Morehead City, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Carteret County Partnership for Children (CCPFC) as of and for the year ended 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 CCPFC'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 Carteret 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 31, 2008, on our consideration of the CCPFC'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)

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Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Carteret 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.

*Clifton Henderson LLP*

January 31, 2008  
Raleigh, North Carolina

***Carteret County Partnership for Children  
Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis  
For the Year Ended June 30, 2007***

***Exhibit A***

	Unrestricted		Temporarily Restricted Funds	Total Funds
	Smart Start Fund	Other Funds		
<b>Receipts:</b>				
State Awards	\$ 831,513	\$ 12,000	\$ -	\$ 843,513
Federal Awards	-	53,432	-	53,432
Private Contributions	-	3,490	-	3,490
Special Fund Raising Events	-	5,854	-	5,854
Interest and Investment Earnings	-	2,256	-	2,256
Sales Tax Refunds	-	1,313	-	1,313
Other Receipts	-	788	-	788
<b>Total Receipts</b>	<b>831,513</b>	<b>79,133</b>	<b>-</b>	<b>910,646</b>
<b>Expenditures:</b>				
Programs:				
Child Care and Education Accessibility and Availability	49,290	-	-	49,290
Child Care and Education Affordability	228,708	464	-	229,172
Child Care and Education Quality	265,796	54,375	-	320,171
Health and Safety	137,731	2,353	-	140,084
Support:				
Management and General	126,000	12,798	-	138,798
Program Evaluation	23,988	248	-	24,236
Other:				
Sales Tax Paid	-	3,871	-	3,871
<b>Total Expenditures</b>	<b>831,513</b>	<b>74,109</b>	<b>-</b>	<b>905,622</b>
<b>Excess of Receipts Over Expenditures</b>	<b>-</b>	<b>5,024</b>	<b>-</b>	<b>5,024</b>
<b>Net Assets at Beginning of Year</b>	<b>-</b>	<b>29,040</b>	<b>1,475</b>	<b>30,515</b>
<b>Net Assets at End of Year</b>	<b>\$ -</b>	<b>\$ 34,064</b>	<b>\$ 1,475</b>	<b>\$ 35,539</b>
<b>Net Assets Consisted of:</b>				
Cash and Cash Equivalents	\$ 1,178	\$ 34,881	\$ 1,475	\$ 37,534
Less: Due to the State	1,178	-	-	1,178
Funds Held for Others	-	817	-	817
	<b>\$ -</b>	<b>\$ 34,064</b>	<b>\$ 1,475</b>	<b>\$ 35,539</b>

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

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

***Exhibit B***

	<b>Total</b>	<b>Personnel</b>	<b>Contracted Services</b>	<b>Supplies and Materials</b>	<b>Other Operating Expenditures</b>	<b>Charges and Other Expenditures</b>	<b>Property and Equipment Outlay</b>	<b>Services/Contracts/Grants</b>
<b>Smart Start Fund:</b>								
<b>Programs:</b>								
Child Care and Education Accessibility and Availability	\$ 49,290	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,290
Child Care and Education Affordability	228,708	50,862	1,900	13,629	8,076	12,296	11,840	130,105
Child Care and Education Quality	265,796	60,428	-	9,987	15,169	11,685	5,662	162,865
Health and Safety	137,731	-	-	-	-	-	-	137,731
	<u>681,525</u>	<u>111,290</u>	<u>1,900</u>	<u>23,616</u>	<u>23,245</u>	<u>23,981</u>	<u>17,502</u>	<u>479,991</u>
<b>Support:</b>								
Management and General	126,000	94,570	2,137	5,028	5,562	8,713	9,990	-
Program Evaluation	23,988	20,581	-	393	1,390	1,111	513	-
	<u>149,988</u>	<u>115,151</u>	<u>2,137</u>	<u>5,421</u>	<u>6,952</u>	<u>9,824</u>	<u>10,503</u>	<u>-</u>
<b>Total Smart Start Fund Expenditures</b>	<u>\$ 831,513</u>	<u>\$ 226,441</u>	<u>\$ 4,037</u>	<u>\$ 29,037</u>	<u>\$ 30,197</u>	<u>\$ 33,805</u>	<u>\$ 28,005</u>	<u>\$ 479,991</u>
<b>Other Funds:</b>								
<b>Programs:</b>								
Child Care and Education Affordability	\$ 464	\$ -	\$ -	\$ 346	\$ -	\$ -	\$ 118	\$ -
Child Care and Education Quality	54,375	49,327	-	467	1,833	2,083	665	-
Health and Safety	2,353	-	-	-	-	-	-	2,353
	<u>57,192</u>	<u>49,327</u>	<u>-</u>	<u>813</u>	<u>1,833</u>	<u>2,083</u>	<u>783</u>	<u>2,353</u>
<b>Support:</b>								
Management and General	12,798	-	6,432	869	1,610	521	3,366	-
Program Evaluation	248	-	-	19	67	-	162	-
	<u>13,046</u>	<u>-</u>	<u>6,432</u>	<u>888</u>	<u>1,677</u>	<u>521</u>	<u>3,528</u>	<u>-</u>
<b>Other:</b>								
Sales Tax Paid	3,871	-	-	3,871	-	-	-	-
<b>Total Other Funds Expenditures</b>	<u>\$ 74,109</u>	<u>\$ 49,327</u>	<u>\$ 6,432</u>	<u>\$ 5,572</u>	<u>\$ 3,510</u>	<u>\$ 2,604</u>	<u>\$ 4,311</u>	<u>\$ 2,353</u>

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



*Carteret County Partnership for Children*  
*Notes to Financial Statements*  
*June 30, 2007*

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization and Purpose** - The Carteret County Partnership for Children (CCPFC) is a legally separate nonprofit organization incorporated on November 20, 2001. The CCPFC was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The CCPFC 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 CCPFC'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 CCPFC did not have 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 does not recognize the value of in-kind goods and services received; 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 deposits or short-term investments with an original maturity of three months or less.

*Carteret County Partnership for Children*  
*Notes to Financial Statements*  
*June 30, 2007*

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- E. Due to the State** - The funding provided by the State of North Carolina for the Smart Start program is funded on a cost reimbursement basis. The money is earned to the extent of allowable costs incurred. Any unexpended funds as of June 30 are required to be reverted to The North Carolina Partnership for Children, Inc. to be returned to the State of North Carolina.
- F. Funds Held For Others** - Funds held for others includes amounts received that are fiduciary in nature in which the CCPFC acts in an agency capacity. For the year ended, the CCPFC was holding amounts withheld from employee paychecks for distribution of health insurance and pension.
- 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, CCPFC is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The CCPFC 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 9.
- I. Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting used by the CCPFC 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 CCPFC are deposited with a commercial bank and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Deposits over this amount subjects the CCPFC to a concentration of credit risk.

The CCPFC has an automatic sweep account over an established target amount. The investment is in the bank's commercial money market account and is insured by the FDIC. The CCPFC bank deposits were not in excess of the FDIC insured limit at June 30, 2007.

*Carteret County Partnership for Children*  
*Notes to Financial Statements*  
*June 30, 2007*

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**NOTE 3 - FUNDING FROM GRANT AWARDS**

**Smart Start Program** - The CCPFC'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 CCPFC and represents a concentration of credit risk as to the generation of revenue.

Associated with these contracts, the CCPFC is responsible for developing a comprehensive, collaborative, long-range plan of services to children and families for the service-delivery area. During the year, NCPC entered into contracts with and made payments to service providers selected by the CCPFC. These service provider contracts are not reflected on the accompanying financial statements. However, a summary of the service provider contracts entered into by NCPC is presented on Schedule 2 accompanying the financial statements.

The CCPFC was awarded and has received \$832,691 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The CCPFC has returned \$1,178 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2007.

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

**Multi-County Accounting and Contracting** - The CCPFC was awarded and has received \$12,000 for their participation in the Multi-County Accounting and Contracting Program for the payment of accounting and administrative services. The CCPFC has expended the full contract based on financial status reports submitted to NCPC subsequent to June 30, 2007.

**Child Care Resource & Referral Program** - The CCPFC was awarded and has received \$53,432 from the North Carolina Department of Health and Human Services based on a cost-reimbursement pass-through contract with the Martin-Pitt Partnership for Children for the Child Care Resource & Referral Program. The CCPFC has expended the full contract based on financial status reports submitted to Martin-Pitt Partnership for Children subsequent to June 30, 2007.

**NOTE 4 - RELATED PARTY TRANSACTIONS**

**A. Service Provider Contracts with Board Member Organizations** - The Board Members of the CCPFC are representative of various organizations that benefit from actions taken by the Board. It is the policy of the CCPFC that Board Members not be involved with decisions regarding organizations they represent. During the year, the CCPFC 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 NCPC with Board Member organizations for activities funded by the CCPFC's Smart Start Allocation.

*Carteret County Partnership for Children*  
*Notes to Financial Statements*  
*June 30, 2007*

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**NOTE 4 - RELATED PARTY TRANSACTIONS (CONTINUED)**

**B. Other Related Parties** - The CCPFC entered into transactions for contracted services with a private business associated with a Board Member. The amounts paid included:

<u>Expenditures</u>	<u>Amount</u>
Sports Center	<u>\$ 1,900</u>

**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 Accessibility and Availability** - Used to account for service activities associated with increasing child care availability of regulated child care.

**Child Care and Education Affordability** - Used to account for service activities associated with child care subsidy programs outside of the Division of Child Development.

**Child Care and Education Quality** - Used to account for service activities, including quality enhancement grants to improve quality, quality enhancement grants to maintain quality, child care resource and referral services, professional development for child care providers, child care support services, professional development supplements, ratio reduction subsidy payments, provider training, health/safety training for child care providers, and health benefits for child care providers.

**Health and Safety** - Used to account for service activities including prenatal/newborn services and special needs – early intervention services/special education.

**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.

*Carteret County Partnership for Children*  
*Notes to Financial Statements*  
*June 30, 2007*

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**NOTE 5 - FUNCTIONAL EXPENDITURES (CONTINUED)**

**B. Support Functions** (continued)

**Program Evaluation** - Expenditures that are incurred to monitor the effectiveness and feasibility of Partnership activities and contract agencies to determine if the short-term and long-term goals are being achieved.

**C. Allocation of Joint Costs**

Expenditures benefiting more than one purpose were allocated as follows:

**Salaries and Benefits** - Direct allocation based on employee time reports.

**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 - OPERATING LEASE OBLIGATIONS**

**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	\$ <u>20,086</u>

Rental expense for all operating leases during the year was \$27,265.

**NOTE 7 - PENSION PLAN**

**A. Retirement Plans** - The CCPFC has a SIMPLE - IRA Plan covering all full-time employees. Each full-time employee of the CCPFC has an option to participate in the Plan. An Individual Retirement Account is provided to the employee through an outside financial institution. The CCPFC contributed 2% of gross wages for the year ended June 30, 2007; however, there were no employee contributions for the year. The CCPFC does not own the accounts nor is liable for any other cost other than the required contribution. The CCPFC contributed \$4,121 for pension benefits during the year.

*Carteret County Partnership for Children*  
*Notes to Financial Statements*  
*June 30, 2007*

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**NOTE 8 - RISK MANAGEMENT**

The CCPFC 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 CCPFC 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 CCPFC. 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 CCPFC'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 \$9,486. No funds or reservation of net assets has been made for this commitment.

**NOTE 10 - RESTRICTIONS ON NET ASSETS**

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

<u>Purpose</u>	<u>Amount</u>
Early Education Outreach	<u>\$ 1,475</u>

This information is an integral part of the accompanying financial statements.

***Carteret 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	
	Account Advanced	Refund Due	Amount Advanced	Refund Due
<b><i>Paid to Organizations:</i></b>				
Appletree Academy	\$ 33,031	\$ -	\$ -	\$ -
Appletree Academy	33,815	-	-	-
Better Beginnings	98,316	-	2,353	-
Carteret County Cooperative Extension*	39,363	-	-	-
Childcare Network	17,764	-	-	-
Easy Learning Center	36,222	-	-	-
Fun N Sun Child Care	3,272	-	-	-
Dana's Home Day Care	382	-	-	-
Miss Velma's Child Care	1,452	-	-	-
Little Citizens Child Care	34,933	-	-	-
Little Cherubs*	1,843	-	-	-
Lots of Love Child Care*	2,644	-	-	-
Newport Development Center*	65,400	-	-	-
St. James United	24,673	-	-	-
Sandbox Child Care	22,573	-	-	-
White Oak Child Care	14,931	-	-	-
	<u>430,614</u>	<u>-</u>	<u>2,353</u>	<u>-</u>
<b><i>Paid to Individuals:</i></b>				
Scholarships/Bonus Awards*	<u>49,377</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 479,991</u>	<u>\$ -</u>	<u>\$ 2,353</u>	<u>\$ -</u>

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

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

***Schedule 2***

<b>Organization Name</b>	<b>DHHS Contracts</b>
Carteret County Department of Social Services*	\$ 27,361

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



***Carteret 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>
<b>Federal Awards:</b>				
Department of Health and Human Services Pass-through from the North Carolina Department of Health and Human Services - Division of Child Development and Martin-Pitt Partnership for Children	93.575	CCSA-07-Carteret	<u>\$ 53,432</u>	<u>\$ 53,432</u>
<b>Total Federal Awards</b>			<u>53,432</u>	<u>53,432</u>
 <b>State Awards:</b>				
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 *			831,513	831,513
Multi-County Accounting and Contracting Grant			<u>12,000</u>	<u>12,000</u>
<b>Total State Awards</b>			<u>843,513</u>	<u>843,513</u>
<b>Total Federal and State Awards</b>			<u><u>\$ 896,945</u></u>	<u><u>\$ 896,945</u></u>

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

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

***Schedule 4***

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Furniture and Noncomputer Equipment	\$	25,744
Computer Equipment/Printers		23,029
Motor Vehicles		<u>18,351</u>
<b>Total Property and Equipment</b>	<b>\$</b>	<b><u><u>67,124</u></u></b>

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.

***Carteret 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	\$ 115,389
In-Kind Goods and Services	<u>4,188</u>
	<u>\$ 119,577</u>

**Match Provided at the Contractor Level:**

Cash	\$ 7,571
In-Kind Goods and Services	<u>51,653</u>
	<u>\$ 59,224</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**

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Board of Directors  
Carteret County Partnership for Children  
Morehead City, North Carolina

We have audited the financial statements of the Carteret County Partnership for Children (CCPFC) as of and for the year ended June 30, 2007, and have issued our report thereon dated January 31, 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 CCPFC'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 CCPFC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the CCPFC'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 CCPFC'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 CCPFC's financial statements that is more than inconsequential will not be prevented or detected by the CCPFC'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 statements will not be prevented or detected by the CCPFC's internal control.

**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)**

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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 CCPFC'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 CCPFC's Board of Directors, management of the CCPFC, 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.

*Clifton Gunderson LLP*

Raleigh, North Carolina  
January 31, 2008

## ORDERING INFORMATION

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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 audit reports 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