

**STANLY COUNTY PARTNERSHIP
FOR CHILDREN
ALBEMARLE, NORTH CAROLINA**

**FINANCIAL STATEMENTS
JUNE 30, 2008**

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

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

FINANCIAL STATEMENT AUDIT REPORT OF

STANLY COUNTY PARTNERSHIP FOR CHILDREN

ALBEMARLE, NORTH CAROLINA

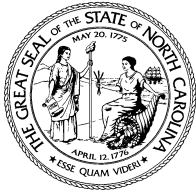
FOR THE YEAR ENDED JUNE 30, 2008

BOARD OF DIRECTORS

MICHAEL SCOTT, BOARD CHAIR

ADMINISTRATIVE OFFICER

BARBARA WHITLEY, 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, Stanly County Partnership for Children

This report presents the results of the financial statement audit of the Stanly County Partnership for Children for the year ended June 30, 2008. Clifton Gunderson LLP performed the audit under contract with the Office of the State Auditor, and their report is submitted herewith.

You will note from the independent auditor's report that the auditor determined that the financial statements are presented fairly in all material aspects. The results of their tests disclosed no deficiencies in internal control over financial reporting that were considered to be material weaknesses in relation to their audit scope or any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Leslie W. Merritt, Jr.

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

TABLE OF CONTENTS

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Stanly County Partnership for Children
Albemarle, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Stanly County Partnership for Children (Stanly County Partnership) as of and for the year ended June 30, 2008, and the related Statement of Functional Expenditures – Modified Cash Basis for the year then ended. These financial statements are the responsibility of the Stanly 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 Stanly County Partnership for Children as of June 30, 2008, 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 November 15, 2008 on our consideration of the Stanly 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.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Stanly County Partnership'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 Gunderson LLP

Raleigh, North Carolina
November 15, 2008

***Stanly County Partnership for Children
Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis
For the Year Ended June 30, 2008***

Exhibit A

	Unrestricted Funds		Temporarily	Total Funds
	Smart Start Fund	Other Funds	Restricted Funds	
Receipts:				
State Awards	\$ 1,404,251	\$ 235,613	\$ -	\$ 1,639,864
Federal Awards (less refunds of \$1,370)		13,163	4,288	17,451
Private Contributions	-	1,610	-	1,610
Special Fund Raising Events	-	4,693	-	4,693
Sales Tax Refunds	-	1,869	-	1,869
Other Receipts	-	416	-	416
Total Receipts	1,404,251	257,364	4,288	1,665,903
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	-	3,870	(3,870)	-
	<u>1,404,251</u>	<u>261,234</u>	<u>418</u>	<u>1,665,903</u>
Expenditures:				
Programs:				
Child Care and Education Affordability	227,989	3,242	-	231,231
Child Care and Education Quality	474,342	19,053	-	493,395
Family Support	208,104	3,765	-	211,869
Health and Safety	204,345	950	-	205,295
More at Four	-	225,827	-	225,827
Support:				
Management and General	154,596	11,992	-	166,588
Program Coordination	134,875	1,578	-	136,453
Other:				
Sales Tax Paid	-	3,658	-	3,658
Total Expenditures	1,404,251	270,065	-	1,674,316
Excess of Receipts Over Expenditures	-	(8,831)	418	(8,413)
Net Assets at Beginning of Year	-	38,611	3,870	42,481
Net Assets at End of Year	\$ -	\$ 29,780	\$ 4,288	\$ 34,068
Net Assets Consisted of:				
Cash and Cash Equivalents	\$ 10,816	\$ 28,804	\$ 4,288	\$ 43,908
Refunds Due From Contractors	4,893	976	-	5,869
	15,709	29,780	4,288	49,777
Less: Due to the State	15,709	-	-	15,709
TOTAL NET ASSETS	\$ -	\$ 29,780	\$ 4,288	\$ 34,068

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

Stanly County Partnership for Children
Statement of Functional Expenditures - Modified Cash Basis
For the Year Ended June 30, 2008

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	\$ 227,989	\$ 17,796	\$ -	\$ 121	\$ 281	\$ 99	\$ -	\$ 209,692
Child Care and Education Quality	474,342	298,499	-	8,922	31,379	50,867	100	84,575
Family Support	208,104	120,847	424	2,912	9,979	5,952	880	67,110
Health and Safety	204,345	-	-	-	-	-	-	204,345
	<u>1,114,780</u>	<u>437,142</u>	<u>424</u>	<u>11,955</u>	<u>41,639</u>	<u>56,918</u>	<u>980</u>	<u>565,722</u>
Support:								
Management and General	154,596	123,542	4,728	1,380	13,500	11,446	-	-
Program Coordination	134,875	59,945	48,635	744	14,107	10,489	-	955
	<u>289,471</u>	<u>183,487</u>	<u>53,363</u>	<u>2,124</u>	<u>27,607</u>	<u>21,935</u>	<u>-</u>	<u>955</u>
Total Smart Start Fund Expenditures	\$ 1,404,251	\$ 620,629	\$ 53,787	\$ 14,079	\$ 69,246	\$ 78,853	\$ 980	\$ 566,677
Other Funds:								
Programs:								
Child Care and Education Affordability	\$ 3,242	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,242
Child Care and Education Quality	19,053	6,716	4,601	513	1,229	59	3,387	2,548
Family Support	3,765	-	-	3,430	70	-	-	265
Health and Safety	950	-	-	-	-	-	-	950
More at Four	225,827	24,870	-	29,609	569	101	10,675	160,003
	<u>252,837</u>	<u>31,586</u>	<u>4,601</u>	<u>33,552</u>	<u>1,868</u>	<u>160</u>	<u>14,062</u>	<u>167,008</u>
Support:								
Management and General	11,992	3,753	8,050	-	159	30	-	-
Program Coordination	1,578	441	-	500	-	507	130	-
	<u>13,570</u>	<u>4,194</u>	<u>8,050</u>	<u>500</u>	<u>159</u>	<u>537</u>	<u>130</u>	<u>-</u>
Other:								
Sales Tax Paid	3,658	-	-	3,658	-	-	-	-
Total Other Funds Expenditures	\$ 270,065	\$ 35,780	\$ 12,651	\$ 37,710	\$ 2,027	\$ 697	\$ 14,192	\$ 167,008

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

Stanly County Partnership for Children
Notes to Financial Statements
June 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose – The Stanly County Partnership for Children (Stanly County Partnership) is a legally separate nonprofit organization incorporated on November 23, 1993. The Stanly County Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Stanly County 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 Stanly 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 Stanly County Partnership did not have any permanently restricted net assets at June 30, 2008.

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.

Stanly County Partnership for Children
Notes to Financial Statements
June 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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 certificates of deposit 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 purchased. However, the Stanly County Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Stanly 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, 2008. 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 Stanly 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.

Stanly County Partnership for Children
Notes to Financial Statements
June 30, 2008

NOTE 2 - DEPOSITS

All funds of the Stanly County Partnership are deposited with commercial banks and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 per bank. Deposits over this amount subject the Stanly County to a concentration of credit risk. At June 30, 2008, the Stanly County Partnership did not have bank deposits in excess of the FDIC insured limit.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Stanly County 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 Stanly County 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 Stanly County Partnership was awarded and has received \$1,419,960 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Stanly County Partnership has returned \$15,709 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2008.

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

More-at-Four – The Stanly County Partnership is a pass-thru recipient of the Stanly County Board of Education contract with the State of North Carolina for the More-at-Four Program. The Stanly County Partnership was awarded \$302,148 and received \$223,948 under a current year contract.

The Stanly County 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 Stanly County Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Stanly County Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Stanly County 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 Stanly County 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 supplements for quality outside the Division of Child Development.

Child Care and Education Quality – Used to account for service activities including child care resource and referral, professional development, professional development supplements and kindergarten orientation/transition.

Family Support – Used to account for service activities including parent education and general family support.

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

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

Stanly County Partnership for Children
Notes to Financial Statements
June 30, 2008

NOTE 5 - FUNCTIONAL EXPENDITURES (CONTINUED)

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 the performance of in-house and direct 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 employee time reports.

Other Costs – Other costs including occupancy cost (rent, utilities and maintenance), supplies and materials, and communication costs (telephone and printing) were 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, 2008:

<u>Fiscal Years</u>	<u>Operating Leases</u>
2009	\$ 75,455
2010	75,299
2011	75,299
2012	75,299
2013	<u>71,779</u>
Total Minimum Lease Payments	<u>\$ 373,131</u>

Rental expense for all operating leases during the year was \$71,525.

Stanly County Partnership for Children
Notes to Financial Statements
June 30, 2008

NOTE 7 - PENSION PLAN

IRC Section 401(k) Plan – The Stanly County Partnership has an IRC Section 401(k) plan (Plan). The Stanly County Partnership and the Plan participants share the costs of administering the Plan. The administrative costs paid by the Stanly County Partnership for the 2008 fiscal year was \$1,960. The participants pay administrative costs from their respective individual accounts. The Stanly County Partnership makes a matching contribution equal to 50% of the first 6% of the employees' contributions. In addition, the Stanly County Partnership makes an employer-based contribution of 1% of compensation that is shared by all eligible employees. This employer-based contribution occurs regardless of the amount of elective deferrals made by the employees. The Stanly County Partnership contributed \$15,392, including both the employer-based and matched contributions for the year ended June 30, 2008.

NOTE 8 - RISK MANAGEMENT

The Stanly 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. The Stanly 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 Stanly 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 Stanly 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, 2008, is \$21,080. No funds or reservation of net assets has been made for this commitment.

Stanly County Partnership for Children
Notes to Financial Statements
June 30, 2008

NOTE 10 - RESTRICTIONS ON NET ASSETS

A. Temporarily Restricted Net Assets – Temporarily restricted net assets at June 30, 2008 are available for the following purposes:

<u>Purpose</u>	<u>Amount</u>
CCRR Core Services Grant	<u>\$ 4,288</u>

B. Net Assets Released From Donor Restrictions – Net assets were released from donor restrictions during the fiscal year ended June 30, 2008, by incurring expenditures satisfying the restricted purposes as follows:

<u>Purpose</u>	<u>Amount</u>
Parents as Teachers	\$ 2,500
CCRR Core Services Grant	<u>1,370</u>
	<u>\$ 3,870</u>

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

Stanly County Partnership for Children
Schedule of Contract and Grant Expenditures - Modified Cash Basis
For the Year Ended June 30, 2008

Schedule 1

Organization Name	Smart Start Fund		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
Paid to Organizations:				
All Star Learning Center	\$ 25,472	\$ -	\$ 50,566	\$ -
Anderson Grove Preschool	5,083	-	-	-
Bright Beginnings Daycare	3,809	-	-	-
Countryside Daycare	8,014	-	-	-
Fun-N-Learning Daycare	4,310	-	-	-
Kiddie Kare Daycare	19,733	-	-	-
Little Friends Daycare *	9,170	-	13,000	-
Little One's Child Development Center	8,240	-	-	-
Love-N-Care	10,570	-	-	-
Oakboro Kids Club	2,613	-	48,503	-
Quality Child Care Center	37,361	-	1,128	-
Richfield Child Development Center	27,122	-	50,020	-
The Son-Shine Kids Learning Center	9,226	-	-	-
Sweet Home Child Development Center	12,004	-	-	-
Stanly County Health Department *	132,750	1,646	-	-
Stanly County Transportation	955	-	-	-
Stanly Regional Medical Center	76,488	3,247	950	-
Susie's Friends Daycare *	2,117	-	-	-
Various Daycare Providers	32,420	-	1,400	976
	<u>427,457</u>	<u>4,893</u>	<u>165,567</u>	<u>976</u>
Paid to Individuals:				
Education Service Incentives	77,003	-	2,152	-
Infant Care Program	67,110	-	265	-
	<u>144,113</u>	<u>-</u>	<u>2,417</u>	<u>-</u>
	<u>\$ 571,570</u>	<u>\$ 4,893</u>	<u>\$ 167,984</u>	<u>\$ 976</u>

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

***Stanly County Partnership for Children
 Schedule of State Level Service Provider Contracts
 For the Year Ended June 30, 2008***

Schedule 2

Organization Name	DHHS Contracts
* Stanly County Department of Social Services	<u>\$ 519,754</u>

* These organizations are 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.

***Stanly County Partnership for Children
Schedule of Federal and State Awards - Modified Cash Basis
For the Year Ended June 30, 2008***

Schedule 3

<u>Federal/State Grantor/Pass-through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract #</u>	<u>Receipts</u>	<u>Expenditures</u>
Federal Awards:				
U.S. Department of Health and Human Services				
Pass-through from the North Carolina Department of Health and Human Services - Division of Child Development				
Pass-through from Child Care Resources Incorporated (CCRI)				
Child Care Resource and Referral (Prior Year)	93.575	6345-3-2	\$ (1,370)	\$ -
Child Care Resource and Referral (Current Year)	93.575	6345-4-2	<u>18,821</u>	<u>14,533</u>
Total Federal Awards			<u>17,451</u>	<u>14,533</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	\$ 1,404,251	\$ 1,404,251
Multi-County Accounting and Contracting Grant		N/A	11,665	11,665
 North Carolina Department of Public Instruction, Office of School Readiness				
Pass-through from the Stanly County Board of Education				
More at Four Pre-Kindergarten Program		0077-08	<u>223,948</u>	<u>223,948</u>
Total State Awards			<u>1,639,864</u>	<u>1,639,864</u>
Total Federal and State Awards			<u>\$ 1,657,315</u>	<u>\$ 1,654,397</u>

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

***Stanly County Partnership for Children
Schedule of Property and Equipment - Modified Cash Basis
For the Year Ended June 30, 2008***

Schedule 4

Furniture and Noncomputer Equipment	\$ 97,062
Computer Equipment/Printers	76,118
Leasehold Improvements	300,621
Vehicles	15,959
Buildings	<u>289,814</u>
Total Property and Equipment	<u>\$ 779,574</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.

***Stanly County Partnership for Children
Schedule of Qualifying Match (Non-GAAP)
For the Year Ended June 30, 2008***

Schedule 5

Match Provided at the Partnership Level:

Cash	\$	6,621
In-Kind Goods and Services		<u>28,401</u>
	\$	<u><u>35,022</u></u>

Match Provided at the Contractor Level:

Cash	\$	119,846
In-Kind Goods and Services		<u>43,650</u>
	\$	<u><u>163,496</u></u>

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 2007-323, Section 10.19(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
Stanly County Partnership for Children
Albemarle, North Carolina

We have audited the financial statements of the Stanly County Partnership for Children (Stanly County Partnership) as of and for the year ended June 30, 2008, and have issued our report thereon dated November 15, 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 Stanly 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 Stanly County Partnership's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Stanly 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 Stanly 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 Stanly County Partnership's financial statements that is more than inconsequential will not be prevented or detected by the Stanly County Partnership'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)**

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 Stanly 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 Stanly 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 Stanly County's Board of Directors, management of the Stanly County Partnership, others within the 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.

Clifton Henderson LLP

Raleigh, North Carolina
November 15, 2008

ORDERING INFORMATION

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