

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

YANCEYVILLE, NORTH CAROLINA

FOR THE YEAR ENDED 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
CASWELL COUNTY PARTNERSHIP FOR CHILDREN

YANCEYVILLE, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2008

BOARD OF DIRECTORS

PATRICIA WARREN, BOARD CHAIR

ADMINISTRATIVE OFFICER

SANDRA L. HUDSPETH, EXECUTIVE DIRECTOR



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

STATE OF NORTH CAROLINA
Office of the 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.osa.state.nc.us>

AUDITOR'S TRANSMITTAL

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

This report presents the results of the financial statement audit of Caswell County Partnership for Children for the year ended June 30, 2008. Foster & Dorr PC 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 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 Merritt

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
Caswell County Partnership for Children
Yanceyville, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Caswell County Partnership for Children (Caswell Partnership) as of 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 Caswell 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 Caswell 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.

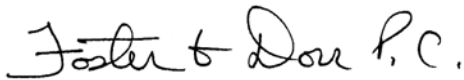
In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2008, on our consideration of the Caswell Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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

Foster & Dorr P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

Government Auditing Standards and should be considered in assessing the results of our audit.

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

November 28, 2008

Caswell 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 Restricted Funds	Total Funds
	Smart Start Fund	Other Funds		
Receipts:				
State Awards	\$ 313,304	\$ 75,082	\$ 891	\$ 389,277
Federal Awards		76,639		76,639
Local Awards		2,500		2,500
Private Contributions		7,794	974	8,768
Interest and Investment Earnings		106		106
Sales Tax Refunds		1,501		1,501
Other Receipts		279		279
Total Receipts	313,304	163,901	1,865	479,070
Expenditures:				
Programs:				
Adolescent Pregnancy Prevention		65,912		65,912
Child Care and Education Quality	126,047	18,764		144,811
Family Support	33,675	30		33,705
Support Our Students		74,049		74,049
Support:				
Management and General	104,950	22,881		127,831
Program Coordination and Evaluation	48,632			48,632
Other:				
Refund of Prior Year Grant		549		549
Sales Tax Paid		1,280		1,280
Total Expenditures	313,304	183,465		496,769
Excess of Receipts Over Expenditures		(19,564)	1,865	(17,699)
Net Assets at Beginning of Year		19,401		19,401
Net Assets at End of Year	\$ 0	\$ (163)	\$ 1,865	\$ 1,702
Net Assets Consisted of:				
Cash and Cash Equivalents	\$ 4,248	(104)	\$ 1,865	\$ 6,009
Refunds Due From Contractors	1			1
	4,249	(104)	1,865	6,010
Less: Funds Held for Others Due to the State	4,249	59		59
	\$ 0	\$ (163)	\$ 1,865	\$ 1,702

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

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

Exhibit B

	Total	Personnel	Contracted Services	Supplies and Materials	Other Operating Expenditures	Fixed Charges and Other Expenditures	Property and Equipment Outlay	Services/ Contracts/ Grants
Smart Start Funds:								
Programs:								
Child Care and Education Quality	\$ 126,047	\$ 37,008	\$ 3,864	\$ 2,682	\$ 4,719	\$ 2,375	\$ 683	\$ 74,716
Family Support	33,675		9,838	50	2,898			20,889
	<u>159,722</u>	<u>37,008</u>	<u>13,702</u>	<u>2,732</u>	<u>7,617</u>	<u>2,375</u>	<u>683</u>	<u>95,605</u>
Support:								
Management and General	104,950	64,586	2,234	3,551	24,016	9,760	803	
Program Coordination and Evaluation	48,632	28,887		269	259	1,529	688	17,000
	<u>153,582</u>	<u>93,473</u>	<u>2,234</u>	<u>3,820</u>	<u>24,275</u>	<u>11,289</u>	<u>1,491</u>	<u>17,000</u>
Total Smart Start Fund Expenditures	<u>\$ 313,304</u>	<u>\$ 130,481</u>	<u>\$ 15,936</u>	<u>\$ 6,552</u>	<u>\$ 31,892</u>	<u>\$ 13,664</u>	<u>\$ 2,174</u>	<u>\$ 112,605</u>
Other Funds:								
Programs:								
Child Care and Education Quality	\$ 18,764	\$ 14,034	\$ 775	\$ 370	\$ 632	\$ 924	\$ 0	\$ 2,029
Family Support	30				30			
Support Our Students	74,049	42,064	135	3,891	3,176	1,099		23,684
Adolescent Pregnancy Prevention	65,912	37,357	1,369	683	10,431	1,374		14,698
	<u>158,755</u>	<u>93,455</u>	<u>2,279</u>	<u>4,944</u>	<u>14,269</u>	<u>3,397</u>		<u>40,411</u>
Support:								
Management and General	22,881	12,477	7,500	266	1,733	830	75	
Other:								
Refund of Prior Year Grant	549				549			
Sales Tax Paid	1,280			1,280				
	<u>1,829</u>			<u>1,280</u>	<u>549</u>			
Total Other Funds Expenditures	<u>\$ 183,465</u>	<u>\$ 105,932</u>	<u>\$ 9,779</u>	<u>\$ 6,490</u>	<u>\$ 16,551</u>	<u>\$ 4,227</u>	<u>\$ 75</u>	<u>\$ 40,411</u>

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

CASWELL COUNTY PARTNERSHIP FOR CHILDREN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose - The Caswell County Partnership for Children (Caswell Partnership) is a legally separate nonprofit organization incorporated on March 26, 1998. The Caswell Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Caswell 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 Caswell 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 Caswell 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 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. In addition, amounts withheld from employee paychecks or other amounts received in an agency capacity are recorded as funds held for others. Additionally, Smart Start funds advanced to the Local Partnership that are unexpended and unearned at year end are recorded as funds Due to the State.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 other comprehensive basis of accounting used by the Caswell 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 Caswell Partnership 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 Caswell Partnership to a concentration of credit risk. At year-end, the Caswell Partnership did not have deposit amounts in excess of its FDIC coverage.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Caswell 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 Caswell 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 Caswell Partnership was awarded and has received \$317,553 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Caswell Partnership has returned \$4,249 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2008.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Multi-County Accounting and Contracting - The Caswell Partnership also received revenue and support from the State of North Carolina for their participation in the Multi-County Accounting and Contracting Program. The unexpended balance of this contract is subject to reversion to the State. The Caswell Partnership was awarded and received \$11,665 under a current year contract for the payment of administrative and accounting services. The Caswell Partnership expended \$11,635 of this contract during the current year.

Regional Child Care Resource & Referral Program (CCR&R) - The Caswell Partnership received revenue and support from the North Carolina Department of Health and Human Services based on a cost reimbursement pass-through contract with Child Care Services Association for the Regional Child Care Resource & Referral Program. The Caswell Partnership was awarded and received \$15,240 under a current year contract.

The Caswell Partnership expects to receive continued funding through new Regional Child Care Resource & Referral Program contracts with Child Care Services Association.

Support Our Students Program (SOS) - The Caswell Partnership also received revenue and support from the State of North Carolina based on a cost-reimbursement contract with NC Department of Juvenile Justice and Delinquency Prevention (DJJDP) for the Support Our Students Program. The Caswell Partnership was awarded and received \$76,000 under a current year SOS contract with DJJDP. The unexpended balance of this contract is subject to reversion to the State. The Caswell Partnership expects to receive continued funding through new SOS Program contracts with the State.

The Caswell County Partnership for Children expects to receive continued funding through new SOS Program contracts with the State.

Adolescent Pregnancy Prevention Program (APP) - The Caswell County Partnership for Children also received revenue and support from the State of North Carolina based on a cost-reimbursement contract with DHHS for the Adolescent Pregnancy Prevention Program. The Caswell County Partnership for Children was awarded \$75,000 and has received \$53,245 under a current year APP contract with DHHS.

The Caswell County Partnership for Children expects to receive continued funding through new APP Program contracts with the State.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 - RELATED PARTY TRANSACTIONS

- A. Service Provider Contracts with Board Member Organizations** - The board members of the Caswell Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Caswell Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Caswell 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 Caswell Partnership's Smart Start Allocation.
- B. Other Related Parties** - The Caswell Partnership entered into transactions for contracted services with a board member of the Caswell Partnership. The amounts paid included:

Purpose	Amount
Professional Development Bonus Activities	<u>\$ 3,870</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

Adolescent Pregnancy Prevention - Designed to reduce teen pregnancies. The Teen Outreach Program is a nationally recognized best practice model that integrates community service, youth development activities, and abstinence-based classroom activities. The Can We Talk? Parenting program supports families in communicating their values about self-esteem, peer pressure, puberty, and teen pregnancy prevention to their children.

Child Care and Education Quality - Used to account for service activities associated with child care resource and referral, professional development, salary supplements, provider training, and quality enhancement through technical assistance.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Family Support - Used to account for service activities associated with ongoing parenting education and community outreach information and resources.

Support Our Students - Used to account for service activities including the providing of high quality after-school activities for school-aged children.

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 and Evaluation - 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 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 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, 2008:

<u>Fiscal Year</u>	<u>Operating Lease</u>
2009	\$ 9,345
2010	1,397
2011	470
Total Minimum Lease Payments	<u>\$ 11,212</u>

Rental expense for all operating leases during the year was \$14,308.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 - PENSION PLAN

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 Plan is a defined contribution plan in which each employee of the Caswell Partnership, as a condition of employment, is provided an individual annuity through an outside insurance company. The Caswell Partnership contributed 4% of gross wages for the year ended June 30, 2008. 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 Caswell Partnership contributed \$5,915 for retirement benefits during the year.

NOTE 8 - RISK MANAGEMENT

The Caswell 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 Caswell 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 Caswell 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 Caswell 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 \$10,326. No funds or reservation of net assets has been made for this commitment.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

NOTE 10 - RESTRICTIONS ON NET ASSETS

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

Purpose	Amount
Gang and Drug Awareness	\$ 891
Private Grant – Restricted for Field Trips	974
	<u>\$ 1,865</u>

NOTE 11 - DEFICIT NET ASSETS

There was a temporary deficit of \$163 in the Unrestricted - Other funds net assets at year-end. Management intends to monitor expenses closely for the year ended June 30, 2009, to ensure that the deficit is eliminated.

Caswell 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
Caswell County Division of Transportation	\$ 0	\$ 0	\$ 29,545	\$ 0
Evaluation Resources, LLC	17,000			
Person County Board of Education	20,890	(1)		
	37,890	(1)	29,545	
Individuals for the purpose of :				
Education and Training Bonus - Various Child Care Providers	65,896		1,960	
* Education and Training Bonus - Extended Hours	8,820			
Support Our Students - Participation Incentives			8,906	
	74,716		10,866	
	<u>\$ 112,606</u>	<u>\$ (1)</u>	<u>\$ 40,411</u>	<u>\$ 0</u>

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

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

Schedule 2

Organization Name	DHHS Contracts
Caswell County Department of Social Services	<u>\$ 132,366</u>

* Organization represented on the Partnership's Board as described in Note 4A - Service Provider Contract with Board Member Organization.

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.

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

Schedule 3

Federal/State Grantor/Pass-through Grantor/Program	Federal CFDA Number	Contract #	Receipts	Expenditures
Federal Awards:				
US Department of Health and Human Services				
Pass-through from the North Carolina Department of Health and Human Services - Division of Public Health				
Adolescent Pregnancy Prevention Program (Prior Year)	93.558	* 00395-07	\$ 8,154	\$ 0
Adolescent Pregnancy Prevention Program (Current Year)	93.558	* 00395-08	53,245	60,912
US Department of Health and Human Services				
Pass-through from the North Carolina Division of Child Development				
Pass-through from Child Care Services Association				
Child Care and Development Block Grant	93.575	6344-C-08	15,240	15,240
Total Federal Awards			<u>\$ 76,639</u>	<u>\$ 76,152</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	313,304	313,304
Multi-County Accounting and Contracting Grant		N/A	11,665	11,635
North Carolina Department of Juvenile Justice and Delinquency Prevention				
Support Our Students (Prior Year)		N/A	(18,892)	
Support Our Students (Current Year)		* N/A	76,000	76,000
North Carolina Department of Health and Human Services				
Division of Mental Health				
Pass-through from Alamance-Caswell Local Management Entity				
Decision Making Skills Enhancement		N/A	5,000	5,000
Gang and Drug Awareness		N/A	2,200	1,309
Total State Awards			<u>389,277</u>	<u>407,248</u>
Total Federal and State Awards			<u>\$ 465,916</u>	<u>\$ 483,400</u>

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

***Caswell 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	\$ 8,373
Computer Equipment/Printers	<u>13,027</u>
Total Property and Equipment	<u><u>\$ 21,400</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.

***Caswell 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	\$ 2,550
In-Kind Goods and Services	<u>10,931</u>
	<u><u>\$ 13,481</u></u>

Match Provided at the Contractor Level:

Cash	\$ 28,414
In-Kind Goods and Services	<u>6,356</u>
	<u><u>\$ 34,770</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.

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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
Caswell County Partnership for Children
Yanceyville, North Carolina

We have audited the financial statements of the Caswell County Partnership for Children (Caswell Partnership) as of and for the year ended June 30, 2008, and have issued our report thereon dated November 28, 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 Caswell 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 Caswell Partnership's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Caswell 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 Caswell 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 Caswell Partnership's financial statements that is more than inconsequential will not be prevented or detected by the Caswell 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)**

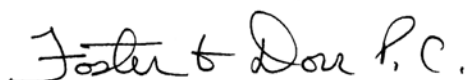
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Caswell Partnership's internal control.

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 Caswell 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 Caswell Partnership's Board of Directors, management of the Caswell 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.



Certified Public Accountants

November 28, 2008

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