

**FINANCIAL STATEMENT AUDIT REPORT OF  
ONslow COUNTY PARTNERSHIP FOR CHILDREN, INC.**

**JACKSONVILLE, 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  
ONslow COUNTY PARTNERSHIP FOR CHILDREN, INC.**

**JACKSONVILLE, NORTH CAROLINA**

**FOR THE YEAR ENDED JUNE 30, 2008**

**BOARD OF DIRECTORS**

**JOHN MARKS, BOARD CHAIR**

**ADMINISTRATIVE OFFICER**

**DAWN ROCHELLE, EXECUTIVE DIRECTOR**



Leslie W. Merritt, Jr.,  
CPA, CFP  
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, Onslow County Partnership for Children, Inc.

This report presents the results of the financial statement audit of Onslow County Partnership for Children, Inc. for the year ended June 30, 2008. Langdon & Company 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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**INDEPENDENT AUDITOR'S REPORT**

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Board of Directors  
Onslow County Partnership for Children, Inc.  
Jacksonville, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of Onslow County Partnership for Children, Inc. (Onslow 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 Onslow 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 Onslow County Partnership for Children, Inc. 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 December 4, 2008, on our consideration of the Onslow 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)

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Onslow County Partnership for Children, Inc.'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.

Garner, North Carolina  
December 4, 2008

**Onslow County Partnership for Children, Inc.**  
**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		
<b>Receipts:</b>				
State Awards	\$ 3,058,468	\$ 11,665	\$ 0	\$ 3,070,133
Federal Awards		86,362	12,445	98,807
Private Contributions		11,630	6,720	18,350
Interest		7,138		7,138
Sales Tax Refunds		18,056		18,056
Other Receipts		57,273		57,273
<b>Total Receipts</b>	<b>3,058,468</b>	<b>192,124</b>	<b>19,165</b>	<b>3,269,757</b>
Net Assets Released from Restrictions: Satisfaction of Program Restrictions		2,155	(2,155)	
	<b>3,058,468</b>	<b>194,279</b>	<b>17,010</b>	<b>3,269,757</b>
<b>Expenditures:</b>				
Programs:				
Child Care and Education Quality	1,327,109	101,800		1,428,909
Family Support	566,748	14,856		581,604
Health and Safety	623,671			623,671
More at Four	20,436	176		20,612
Support:				
Management and General	373,220	66,478		439,698
Program Coordination and Evaluation	147,284	3,400		150,684
Other:				
Sales Tax Paid		14,743		14,743
<b>Total Expenditures</b>	<b>3,058,468</b>	<b>201,453</b>		<b>3,259,921</b>
<b>Excess of Receipts Over Expenditures</b>	<b>0</b>	<b>(7,174)</b>	<b>17,010</b>	<b>9,836</b>
<b>Net Assets at Beginning of Year</b>	<b>0</b>	<b>21,433</b>	<b>4,574</b>	<b>26,007</b>
<b>Net Assets at End of Year</b>	<b>\$ 0</b>	<b>\$ 14,259</b>	<b>\$ 21,584</b>	<b>\$ 35,843</b>
<b>Net Assets Consisted of:</b>				
Cash and Cash Equivalents	\$ 2,403	\$ 18,586	\$ 21,584	\$ 42,573
Refunds Due From Contractors	9,482			9,482
	11,885	18,586	21,584	52,055
Less: Due to the State	11,885			11,885
Funds Held for Others		4,327		4,327
	11,885	4,327		16,212
	<b>\$ 0</b>	<b>\$ 14,259</b>	<b>\$ 21,584</b>	<b>\$ 35,843</b>

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

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

***Exhibit B***

	<b>Total</b>	<b>Personnel</b>	<b>Contracted Services</b>	<b>Supplies and Materials</b>	<b>Other Operating Expenditures</b>	<b>Fixed 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 Quality	\$ 1,327,109	\$ 607,301	\$ 44,148	\$ 119,600	\$ 144,531	\$ 79,291	\$ 65,497	\$ 266,741
Family Support	566,748	69,923	548	2,807	12,623	2,554	7,593	470,700
Health and Safety	623,671							623,671
More at Four	20,436	17,884		15	1,607	930		
	<u>2,537,964</u>	<u>695,108</u>	<u>44,696</u>	<u>122,422</u>	<u>158,761</u>	<u>82,775</u>	<u>73,090</u>	<u>1,361,112</u>
<b>Support:</b>								
Management and General	373,220	268,415	9,865	15,826	42,853	28,599	7,662	
Program Coordination and Evaluation	147,284	109,743	13,044	1,074	10,968	7,451	5,004	
	<u>520,504</u>	<u>378,158</u>	<u>22,909</u>	<u>16,900</u>	<u>53,821</u>	<u>36,050</u>	<u>12,666</u>	
<b>Total Smart Start Fund Expenditures</b>	<u>\$ 3,058,468</u>	<u>\$ 1,073,266</u>	<u>\$ 67,605</u>	<u>\$ 139,322</u>	<u>\$ 212,582</u>	<u>\$ 118,825</u>	<u>\$ 85,756</u>	<u>\$ 1,361,112</u>
<b>Other Funds:</b>								
<b>Programs:</b>								
Child Care and Education Quality	\$ 101,800	\$ 79,855	\$ 61	\$ 3,791	\$ 15,949	\$ 0	\$ 2,144	\$ 0
Family Support	14,856			2,407	12,449			
More at Four	176				176			
	<u>116,832</u>	<u>79,855</u>	<u>61</u>	<u>6,198</u>	<u>28,574</u>		<u>2,144</u>	
<b>Support:</b>								
Management and General	66,478	52,673	934	2,089	7,248	3,534		
Program Coordination and Evaluation	3,400				3,400			
	<u>69,878</u>	<u>52,673</u>	<u>934</u>	<u>2,089</u>	<u>10,648</u>	<u>3,534</u>		
<b>Other:</b>								
Sales Tax Paid	14,743			14,743				
<b>Total Other Funds Expenditures</b>	<u>\$ 201,453</u>	<u>\$ 132,528</u>	<u>\$ 995</u>	<u>\$ 23,030</u>	<u>\$ 39,222</u>	<u>\$ 3,534</u>	<u>\$ 2,144</u>	<u>\$ 0</u>

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



**ONSTLOW COUNTY PARTNERSHIP FOR CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

- A. Organization and Purpose** - The Onslow County Partnership for Children, Inc. (Onslow Partnership) is a legally separate nonprofit organization incorporated on June 26, 1998. The Onslow Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Onslow 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 Onslow 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.

Onslow 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.

However, unexpended advances to contractors that revert back to the State of North Carolina are recognized as a reduction to expenditures and

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 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 Onslow Partnership acts in an agency capacity. At year end June 30, 2008, the Onslow Partnership was holding amounts withheld from employee paychecks for distribution to taxing authorities.
- 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, Onslow Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Onslow 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 are not recorded in the financial statements. Expenditures related to compensated absences are recorded when paid. The amount of accrued

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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compensated absences for accumulated, unpaid leave that would be due to employees upon termination is reported as a commitment in Note 8.

- J. Use of Estimates** - The preparation of financial statements in conformity with the other comprehensive basis of accounting used by the Onslow 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 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Onslow 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 Onslow 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 Onslow Partnership was awarded and has received \$3,070,353 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Onslow Partnership has returned \$11,885 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2008.

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

**Regional Child Care Resource & Referral Program (CCR&R)** - The Onslow Partnership's other major source of revenue and support is from the North Carolina Department of Health and Human Services based on a cost-reimbursement pass-through contract with Martin/Pitt Partnership for Children, Inc. for the Regional Child Care Resource & Referral Program.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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The Onslow Partnership was awarded and has received \$32,307 under a current year contract. The Onslow Partnership expects to receive continued funding through new Regional CCR&R Program contracts with Martin/Pitt Partnership for Children, Inc.

**Exceptional Family Member Program Respite Care** - The Onslow Partnership was awarded \$133,000 and has received \$66,500 under a current year Department of Defense and US Marine Corp pass-through contract with the National Association of Child Care Resource & Referral Agencies (NACCRRRA). The term of this contract runs January 1, 2008 through December 31, 2008. The balance of the award of the contract will be received and expended after June 30, 2008. The difference of the award received and amount expended through June 30, 2008, \$12,445, will be carried over into fiscal year 2008-2009.

### NOTE 3 - RELATED PARTY TRANSACTIONS

**Service Provider Contracts with Board Member Organizations** - The board members of the Onslow Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Onslow Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Onslow 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 Onslow Partnership's Smart Start Allocation.

### NOTE 4 - 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 Quality** - Used to account for service activities associated with quality enhancement grants for upgrades, quality enhancement grants for maintenance, child care resource and referral and professional development.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**Family Support** - Used to account for service activities associated with teen parent/child programs, parenting education, parents as teachers, and community outreach, information and resources.

**Health and Safety** - Used to account for service activities associated with prenatal/newborn services, child care health consultants, and special needs: early intervention/special education.

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

### 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** - Includes 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. Additionally, includes 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 allocated based on utilization data.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### NOTE 5 - LEASE OBLIGATIONS

- A. 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 Leases</u>
2009	\$ 95,984
2010	71,983
2011	<u>6,300</u>
Total Minimum Lease Payments	<u>\$ 174,267</u>

Rental expense for all operating leases during the year was \$106,406.

- B. Capital Lease Obligations** - Capital lease obligations relating to postage equipment are recorded at the present value of the minimum lease payments. Future minimum lease payments under capital lease obligations consist of the following at June 30, 2008:

<u>Fiscal Year</u>	<u>Capital Leases</u>
2009	\$ 1,368
2010	<u>684</u>
Total Minimum Lease Payments	<u>\$ 2,052</u>

### NOTE 6 - PENSION PLAN

**IRC Section 403(b) Plan** - All permanent full-time employees 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 Onslow Partnership, as a condition of employment, is provided an individual annuity through an outside insurance company. The Onslow 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 Onslow Partnership contributed \$11,427 for retirement benefits during the year.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### NOTE 7 - RISK MANAGEMENT

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

### NOTE 8 - COMMITMENTS AND CONTINGENCIES

**Compensated Absences** - As a result of the Onslow 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 \$27,316. No funds or reservation of net assets has been made for this commitment.

### NOTE 9 - 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>
Community Outreach	\$ 2,135
Literacy	67
State of the Child Breakfast	6,134
Staff Development	800
Make It Happen – Community Outreach	3
Exceptional Family Members Program Respite Care	12,445
	<u>\$ 21,584</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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**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>
State of the Child Breakfast	\$ 512
Make It Happen – Community Outreach	800
State of the Child (Onslow Memorial)	<u>843</u>
	<u>\$ 2,155</u>



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

***Schedule 1***

<b>Organization Name</b>	<b>Smart Start Funds</b>		<b>Other Funds</b>	
	<b>Amount Advanced</b>	<b>Refund Due</b>	<b>Amount Advanced</b>	<b>Refund Due</b>
American Red Cross	\$ 500	\$ 0	\$ 0	\$ 0
Coastal Carolina Community College	* 230,833	(4,092)		
North Carolina Cooperative Extension	* 38,176			
Onslow County Health Department	* 507,060	(5,390)		
Partners for Inclusion	122,000			
PEERS	472,025			
	<u>\$ 1,370,594</u>	<u>\$ (9,482)</u>	<u>\$ 0</u>	<u>\$ 0</u>

\* These organizations are represented on the Partnership's Board as described in Note 3 - Service Provider Contracts with Board Member Organizations.

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

***Schedule 2***

<b>Organization Name</b>	<b>DHHS Contracts</b>
Child Care Services Association - WAGE\$	\$ 264,065
Onslow County Department of Social Services	* <u>1,328,774</u>
	<u>\$ 1,592,839</u>

\* These organizations are represented on the Partnership's Board as described in Note 3 - 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 2 - Funding from Grant Awards.

**Onslow County Partnership for Children, Inc.**  
**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
<b>Federal Awards:</b>				
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 Martin/Pitt Partnership for Children, Inc.				
Child Care Resource and Referral Program	93.575	* 08-Onslow	\$ 32,307	\$ 32,307
U.S. Department of Defense				
Pass-through from the National Association of Child Care Resource and Referral Agencies and the US Marine Corps				
Exceptional Family Member Respite Care Program	N/A	* N/A	66,500	54,055
<b>Total Federal Awards</b>			<u>98,807</u>	<u>86,362</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	*	N/A	3,058,468	3,058,468
Multi-County Accounting and Contracting Grant		N/A	11,665	11,665
<b>Total State Awards</b>			<u>3,070,133</u>	<u>3,070,133</u>
<b>Total Federal and State Awards</b>			<u>\$ 3,168,940</u>	<u>\$ 3,156,495</u>

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

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

***Schedule 4***

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Furniture and Noncomputer Equipment	\$ 110,979
Computer Equipment/Printers	174,594
Leasehold Improvements	<u>18,170</u>
Total Property and Equipment	<u><u>\$ 303,743</u></u>

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

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

***Schedule 5***

***Match Provided at the Partnership Level:***

Cash	\$	102,729
In-Kind Goods and Services		<u>167,764</u>
	\$	<u><u>270,493</u></u>

***Match Provided at the Contractor Level:***

Cash	\$	209,453
In-Kind Goods and Services		<u>106,998</u>
	\$	<u><u>316,451</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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**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  
Onslow County Partnership for Children, Inc.  
Jacksonville, North Carolina

We have audited the financial statements of the Onslow County Partnership for Children, Inc. (Onslow Partnership) as of and for the year ended June 30, 2008, and have issued our report thereon dated December 4, 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 Onslow 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 Onslow Partnership's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Onslow 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 Onslow 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 Onslow Partnership's financial statements that is more than inconsequential will not be prevented or detected by the Onslow 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)**

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

Garner, North Carolina  
December 4, 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

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