

FINANCIAL STATEMENT AUDIT REPORT OF
SCOTLAND COUNTY PARTNERSHIP FOR CHILDREN
AND FAMILIES, INC.

LAURINBURG, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2008

PERFORMED UNDER CONTRACT WITH THE
OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA
STATE AUDITOR

**FINANCIAL STATEMENT AUDIT REPORT OF
SCOTLAND COUNTY PARTNERSHIP FOR CHILDREN
AND FAMILIES, INC.**

LAURINBURG, NORTH CAROLINA

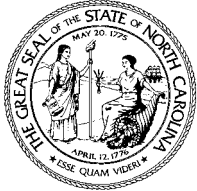
FOR THE YEAR ENDED JUNE 30, 2008

BOARD OF DIRECTORS

EUGENE SMITH, BOARD CHAIR

ADMINISTRATIVE OFFICER

ANITA RIOJAS-MAYERS, EXECUTIVE DIRECTOR



Beth A. Wood, CPA
State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Beverly E. Perdue, Governor
The General Assembly of North Carolina
Board of Directors, Scotland County Partnership for Children and Families, Inc.

This report presents the results of the financial statement audit of Scotland County Partnership for Children and Families, 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 one deficiency in internal control over financial reporting that was considered to be a material weakness in relation to their audit scope but did not note 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.

A handwritten signature in cursive script that reads 'Beth A. Wood'.

Beth A. Wood, CPA
State Auditor

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Scotland County Partnership for Children and Families, Inc.
Laurinburg, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of Scotland County Partnership for Children and Families, Inc. (Scotland 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 Scotland 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 Scotland County Partnership for Children and Families, 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 April 21, 2009 on our consideration of the Scotland 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



INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Scotland County Partnership for Children and Families, 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
April 21, 2009

Scotland County Partnership for Children and Families, 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 Funds	Other Funds		
Receipts:				
State Awards	\$ 609,790	\$ 51,159	\$ 0	\$ 660,949
Federal Awards		125,618	7,000	132,618
Local Awards		38,586		38,586
Private Contributions		3,954		3,954
Interest Earnings		74		74
Sales Tax Refunds		3,184		3,184
Other Receipts		3,640		3,640
Total Receipts	609,790	226,215	7,000	843,005
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions		6,101	(6,101)	
	609,790	232,316	899	843,005
Expenditures:				
Programs:				
Child Care and Education Quality	328,349	7,909		336,258
Family Support	64,722	189,406		254,128
Support:				
Management and General	126,001	16,860		142,861
Program Coordination and Evaluation	90,718	1,906		92,624
Other:				
Sales Tax Paid		4,651		4,651
Total Expenditures	609,790	220,732	0	830,522
Excess of Receipts Over Expenditures	0	11,584	899	12,483
Net Assets at Beginning of Year	0	(19,293)	8,665	(10,628)
Net Assets at End of Year	\$ 0	\$ (7,709)	\$ 9,564	\$ 1,855
Net Assets Consisted of:				
Cash and Cash Equivalents	\$ 13,902	(7,709)	9,564	\$ 15,757
Less: Due to the State	13,902			13,902
	\$ 0	\$ (7,709)	\$ 9,564	\$ 1,855

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

Scotland County Partnership for Children and Families, Inc.
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	\$ 328,349	\$ 171,677	\$ 0	\$ 7,052	\$ 17,997	\$ 4,312	\$ 6,900	\$ 120,411
Family Support	64,722	47,947		890	13,653	2,187		45
	<u>393,071</u>	<u>219,624</u>	<u>0</u>	<u>7,942</u>	<u>31,650</u>	<u>6,499</u>	<u>6,900</u>	<u>120,456</u>
Support:								
Management and General	126,001	86,018	8,328	2,772	16,896	11,177	810	
Program Coordination and Evaluation	90,718	56,690		4,173	22,039	7,582	234	
	<u>216,719</u>	<u>142,708</u>	<u>8,328</u>	<u>6,945</u>	<u>38,935</u>	<u>18,759</u>	<u>1,044</u>	<u>0</u>
Total Smart Start Fund Expenditures	<u>\$ 609,790</u>	<u>\$ 362,332</u>	<u>\$ 8,328</u>	<u>\$ 14,887</u>	<u>\$ 70,585</u>	<u>\$ 25,258</u>	<u>\$ 7,944</u>	<u>\$ 120,456</u>
Other Funds:								
Programs:								
Child Care and Education Quality	\$ 7,909	\$ 0	\$ 0	\$ 381	\$ 20	\$ 0	\$ 0	\$ 7,508
Family Support	189,406	113,145		1,428	9,119	1,068		64,646
	<u>197,315</u>	<u>113,145</u>	<u>0</u>	<u>1,809</u>	<u>9,139</u>	<u>1,068</u>	<u>0</u>	<u>72,154</u>
Support:								
Management and General	16,860		16,194	372	237	57		0
Program Coordination and Evaluation	1,906			1,167	529			210
	<u>18,766</u>	<u>0</u>	<u>16,194</u>	<u>1,539</u>	<u>766</u>	<u>57</u>	<u>0</u>	<u>210</u>
Other:								
Sales Tax Paid	4,651			4,651				
Total Other Funds Expenditures	<u>\$ 220,732</u>	<u>\$ 113,145</u>	<u>\$ 16,194</u>	<u>\$ 7,999</u>	<u>\$ 9,905</u>	<u>\$ 1,125</u>	<u>\$ 0</u>	<u>\$ 72,364</u>

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

SCOTLAND COUNTY PARTNERSHIP FOR CHILDREN AND FAMILIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose - The Scotland County Partnership for Children and Families, Inc. (Scotland Partnership) is a legally separate nonprofit organization incorporated on September 14, 1998. The Scotland Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Scotland 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 Scotland 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 Scotland 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. 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. Due to the State** – The funding provided by the State of North Carolina for the Smart Start program is funded on a cost reimbursement basis. The money is earned to the extent of allowable costs incurred. Any unexpended funds as of June 30 are required to be reverted to The North Carolina Partnership for Children, Inc. to be returned to the State of North Carolina.
- F. Property and Equipment** – Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year purchased. However, Scotland Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Scotland 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.
- G. Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting used by the Scotland 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 Scotland 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

the State could have an adverse effect on the operations of the Scotland Partnership and represents a concentration of credit risk as to the generation of revenue.

Associated with these contracts, the Scotland 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 Scotland 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 Scotland Partnership was awarded and has received \$623,692 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Scotland Partnership has returned \$13,902 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2008.

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

Safe Schools/Healthy Students Program – The Scotland Partnership's other major source of revenue and support is from the United States Department of Education based on a pass-through contract with the Scotland County Board of Education for the Safe Schools/Healthy Students program.

The Scotland Partnership was awarded \$120,000 and received \$83,584 under a current year contract. As allowed by the grantor, the unexpended balance of the contract is available for carry-forward through December 1, 2008. Included in temporarily restricted net assets is \$7,000 received but not yet expended for the program.

System of Care Program Collaborative Agreement – The Scotland Partnership received revenue and support through a collaborative agreement between the Local Management Entity, County Department of Social Services, the Department of Juvenile Justice and Delinquency Prevention, Judicial District Court, Local Education Agency, County Health Department and the Scotland Partnership to expand a system-of-care approach for services to children at risk for institutionalization or other out of home placement. As part of the agreement, the Scotland Partnership provides administrative and fiscal oversight for a System of Care Coordinator. Scotland Partnership received \$38,586 under the agreement. The Scotland Partnership expects to receive continued funding through new System of Care Program contracts with these entities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Adolescent Parenting and Pregnancy Prevention Programs – The Scotland Partnership also received revenue and support from the United States Department of Health and Human Services based on cost-reimbursement pass-through contracts with DHHS for the Adolescent Parenting Program and Adolescent Pregnancy Prevention Program.

The Scotland Partnership was awarded \$52,280 and has received \$38,852 for the Adolescent Parenting Program and was awarded \$50,000 and has received \$16,505 for the Adolescent Pregnancy Prevention Program under current year contracts with DHHS. The Scotland Partnership also received \$10,434 for the Adolescent Parenting Program from a prior year contract with DHHS. The unexpended balance of these contracts is subject to reversion to the State.

The Scotland Partnership expects to receive continued funding through Adolescent Parenting Program and Adolescent Pregnancy Prevention Program contracts with DHHS through May 31, 2009.

Multi-County Accounting and Contracting – The Scotland 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 Scotland Partnership was awarded and has received \$11,665 under a current year contract for the payment of administrative and accounting services. The Scotland Partnership had no unexpended funds as of June 30, 2008.

NOTE 3 - RELATED PARTY TRANSACTIONS

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, professional development, and learning materials and teaching aids.

Family Support - Used to account for service activities including teen parent/child programs and general family support, including support for the System of Care program.

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 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) and communication costs (telephone and printing) were allocated based on utilization data.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 - 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	<u>\$ 18,000</u>

Rental expense for all operating leases during the year was \$18,600.

NOTE 6 - PENSION PLAN

Retirement Plan - The Scotland Partnership has a Simplified Employee Pension plan (SEP Plan) covering all full-time employees. Each full-time employee of the Scotland Partnership, as a condition of employment, is provided an Individual Retirement Account through an outside insurance company. The Scotland Partnership contributed 6% of base gross wages for the year ended June 30, 2008. The Scotland Partnership does not own the accounts nor is liable for any other cost other than the required contribution. The Scotland Partnership contributed \$20,517 for pension benefits during the year.

NOTE 7 - RISK MANAGEMENT

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

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

NOTE 8 - RESTRICTIONS ON NET ASSETS

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

Purpose	Amount
Safe Schools/Healthy Students	\$ 7,000
System of Care Program	<u>2,564</u>
	<u>\$ 9,564</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:

Purpose	Amount
System of Care Program	<u>\$ 6,101</u>

NOTE 9 - DEFICIT IN UNRESTRICTED OTHER NET ASSETS

The Scotland Partnership had a deficit in unrestricted other net assets at June 30, 2008 of \$7,709. The Scotland Partnership received grant reimbursements in the amount of \$7,491 subsequent to year-end for expenditures incurred during fiscal year 2008 and received \$4,652 subsequent to year-end for refunds of sales tax paid during fiscal year 2008. As a result of the Scotland Partnership's use of the modified cash basis of accounting, these reimbursements will be reflected as revenue in fiscal year 2009. Management projects that all cash needs will be met throughout fiscal year 2009.

NOTE 10 - SUBSEQUENT EVENTS

The Scotland Partnership has claims pending involving a former employee with the United States Equal Employment Opportunity Commission and the North Carolina Department of Labor. Management vigorously denies these claims and has requested that they be dismissed with no adverse findings. The ultimate outcome of these matters is unknown at the present time. Accordingly, no provision for any loss contingency that might result has been made in the accompanying financial statements. In the opinion of management, the Partnership has adequate insurance coverage for any loss that may be incurred.

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

Schedule 1

Organization Name	Smart Start Funds		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
Brenda's Small World	\$ 1,499	\$ 0	\$ 300	\$ 0
Briggs' Tours and Excursions			1,550	
Kiddie Kare Learning Center	2,486		500	
Kids Campus	1,000		200	
Lois' Little Lambs	1,196		240	
Pegues Child Care Center	1,658		745	
Presbyterian Child Care	1,593		446	
Scotland County Area Transit System			7,371	
Scotland County Department of Social Services*			49,411	
Terrific Kids Child Care	2,467		1,317	
Trinity Child Care Center	1,699		340	
Various Child Care Facilities	1,757		1,086	
Wagram Terrific Kids Day Care	981		844	
	<u>16,336</u>		<u>64,350</u>	
Individuals:				
Adolescent Parenting Program Incentives			3,267	
Adolescent Pregnancy Prevention Program Incentives			831	
Application Fee Incentives			565	
LEAP Participant Awards			809	
Professional Development Education Incentives	103,085			
Scotland County Reading is Fundamental	859		1,771	
Various Other Incentives	176		771	
	<u>104,120</u>		<u>8,014</u>	
	<u>\$ 120,456</u>	<u>\$ 0</u>	<u>\$ 72,364</u>	<u>\$ 0</u>

* This organization is represented on the Partnership's Board as described in Note 3 - Service Provider Contracts with Board Member Organizations.

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

Schedule 2

Organization Name	DHHS Contracts
Scotland County Department of Social Services*	<u>\$ 213,323</u>

* This organization is 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.

**Scotland County Partnership for Children and Families, 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
Federal Awards:				
US Department of Education				
Pass-through from Scotland County Schools				
Safe Schools/Healthy Students Grant (Prior Year)	84.184L	* #Q184L040024	\$ 19,648	\$ 0
Safe Schools/Healthy Students Grant (Current Year)	84.184L	* #Q184L040024	83,584	76,584
US Department of Health and Human Services				
Pass-through from the North Carolina Department of Health & Human Services - Division of Public Health				
Adolescent Pregnancy Prevention	93.778	* #01093-08	12,881	14,089
US Department of Health and Human Services				
Pass-through from the North Carolina Department of Health & Human Services - Division of Public Health				
Teen Pregnancy Prevention	93.558	* #02086-08	16,505	16,505
Total Federal Awards			<u>132,618</u>	<u>107,178</u>
State Awards:				
North Carolina Department of Health and Human Services				
Division of Public Health				
Adolescent Pregnancy Prevention (Prior Year)		* #01093-07	10,434	
Adolescent Pregnancy Prevention (Current Year)		* #01093-08	25,971	28,346
North Carolina Department of Health and Human Services				
Division of Public Health				
Teen Pregnancy Prevention (Prior Year)		#02086-07	3,089	
Teen Pregnancy Prevention (Current Year)		* #02086-08		3,908
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	609,790	609,790
Multi-County Accounting and Contracting Grant		* N/A	11,665	11,665
Total State Awards			<u>660,949</u>	<u>653,709</u>
Total Federal and State Awards			<u>\$ 793,567</u>	<u>\$ 760,887</u>

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

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

Schedule 4

Furniture and Noncomputer Equipment	\$	29,529
Computer Equipment/Printers		<u>46,153</u>
Total Property and Equipment	\$	<u><u>75,682</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.

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

Schedule 5

Match Provided at the Partnership Level:

Cash	\$	106,067
In-Kind Goods and Services		<u>16,820</u>
	\$	<u><u>122,887</u></u>

Match Provided at the Contractor Level:

Cash	\$	<u><u>29,263</u></u>
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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

**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
Scotland County Partnership for Children and Families, Inc.
Laurinburg, North Carolina

We have audited the financial statements of the Scotland County Partnership for Children and Families, Inc. (Scotland Partnership) as of and for the year ended June 30, 2008, and have issued our report thereon dated April 21, 2009. 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 Scotland 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 Scotland Partnership's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Scotland Partnership's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 Scotland Partnership's ability to initiate, authorize, record, process, or report financial data reliably in



**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 (CONTINUED)**

accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Scotland Partnership's financial statements that is more than inconsequential will not be prevented or detected by the Scotland Partnership's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

Finding

2008-1 - Controls over the period-end financial reporting process

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 Scotland Partnership's internal control.

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider item 2008-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Scotland 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*.

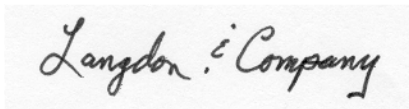
We noted certain other matters that we reported to management of the Scotland Partnership in a separate letter dated April 21, 2009.

Scotland Partnership's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Scotland Partnership's response and, accordingly, we express no opinion on it.



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This report is intended solely for the information and use of the Scotland Partnership's Board of Directors, management of the Scotland 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
April 21, 2009

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AUDIT FINDINGS AND RESPONSES

Matters Related to Financial Reporting

The following finding and response was identified during the current audit and describes a condition that represents a material weakness in internal control or noncompliance with laws, regulations, contracts, and grant agreements.

2008-1 – CONTROLS OVER THE PERIOD-END FINANCIAL REPORTING PROCESS

During the performance of our audit engagement procedures, material misstatements were noted that were not initially identified by the Partnership's internal control. The misstatements were not prevented or detected prior to our review and constitute a material weakness required to be reported under professional standards.

Recommendation: We recommend the Partnership seek technical guidance for recording such transactions.

Partnership response: During the 2007-2008 fiscal year, the Partnership recorded grant revenue from the State as State revenue. However, a portion of the revenue received from the State actually consisted of federal funds, which should have been coded in the accounting system separately from the State funds. This incorrect coding was due to the facts that the funds were reported on the State grant website as State revenue and the source of the revenue during the grant period cannot be determined until *after* reimbursement of the expenditures by the State.

To prevent future miscoding of this nature, the Partnership has obtained guidance from the Auditors and The North Carolina Partnership for Children, Inc. Procedures have been incorporated to ensure the proper classification of these revenues based upon the quarterly reimbursement classification, and a more detailed review of financial statements at year-end will also be conducted to ensure coding of all future funding is accurate.

All revenue described in the Audit Report was expended appropriately for each funding source. The technical accounting error described above did not impact funds expended on the program, nor the operations of Partnership. There was no misuse or misappropriation of funds.

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