

FINANCIAL STATEMENT AUDIT REPORT OF  
COMMUNITIES IN SCHOOLS  
OF CALDWELL COUNTY  
LENOIR, NORTH CAROLINA  
FOR THE YEAR ENDED JUNE 30, 2001

PERFORMED UNDER CONTRACT WITH THE  
NORTH CAROLINA OFFICE OF STATE AUDITOR  
RALPH CAMPBELL, JR.

**FINANCIAL STATEMENT AUDIT REPORT OF  
COMMUNITIES IN SCHOOLS OF CALDWELL COUNTY**

**LENOIR, NORTH CAROLINA**

**FOR THE YEAR ENDED JUNE 30, 2001**

**BOARD OF DIRECTORS**

**ALVIN DAUGHTRIDGE, CHAIRMAN**

**ADMINISTRATIVE OFFICER**

**BRIAN PEARSON, EXECUTIVE DIRECTOR**



Ralph Campbell, Jr.  
State Auditor

STATE OF NORTH CAROLINA

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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, Communities in Schools of Caldwell County

This report presents the results of the financial statement audit of the Communities in Schools of Caldwell County for the year ended June 30, 2001. Crisp Hughes Evans LLP performed the audit under contract with the Office of the State Auditor, and their report is submitted herewith.

The audit of the Communities in Schools of Caldwell County was made in conjunction with the Early Childhood Initiatives (Smart Start) program authorized by G.S. 143B-168.10-.16. This statute created the North Carolina Partnership for Children, Inc. and required the implementation of local partnerships. The Communities in Schools of Caldwell County is one of these local partnerships. As such, the Communities in Schools of Caldwell County is a private nonprofit 501(c)(3) organization and is required by G.S. 143B-168.14 to have an annual financial and compliance audit conducted by the State Auditor. The State Auditor's authority to perform or coordinate all audit functions for state government is set forth in Article 5 of Chapter 147 of the North Carolina General Statutes.

The significant Smart Start expansion authorized in the 1998 fiscal year almost doubled the related audit burden placed on the Office of the State Auditor. Therefore, the General Assembly, in its 1998-99 Expansion Budget, gave recognition to the resources needed to provide the audit oversight required by statute. Those resources incorporated a combination of permanent positions and contract funding to make the Smart Start audit effort self-sustaining.

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 in the back of this report.

A handwritten signature in black ink that reads "Ralph Campbell, Jr." in a cursive script.

Ralph Campbell, Jr.  
State Auditor

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## INDEPENDENT AUDITORS' REPORT

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Board of Directors  
Communities in Schools of Caldwell County  
Lenoir, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis of the Communities in Schools of Caldwell County (CIS of Caldwell County) as of June 30, 2001, and the related Statement of Functional Expenditures - Regulatory Basis for the year then ended. These financial statements are the responsibility of the CIS of Caldwell County'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 statement is free of material misstatement. 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 regulatory basis of accounting as prescribed by the North Carolina Partnership for Children, Inc., which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Communities in Schools of Caldwell County as of June 30, 2001, and the results of its operations for the year then ended, on the basis of accounting described in Note 1.

## INDEPENDENT AUDITORS' REPORT (CONCLUDED)

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In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2002 on our consideration of the CIS of Caldwell County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with the independent auditors' report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Communities in Schools of Caldwell County taken as a whole. The accompanying supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the management of the partnership, the North Carolina Partnership for Children, Inc., the Governor, and the General Assembly and is not intended to be, and should not be, used by anyone other than these specified parties.

January 9, 2002

*Crisp Hughes Evans LLP*

***Communities in Schools of Caldwell County***

***Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis  
For the Year Ended June 30, 2001***

***Exhibit A***

|  | Unrestricted Funds     |                  |                 | Total Funds      |
|--|------------------------|------------------|-----------------|------------------|
|  | Communities in Schools | Smart Start Fund | Other Funds     |                  |
| <b>Receipts:</b>   |                        |                  |                 |                  |
| State Awards (less refunds of \$12,940)                  | \$ 10,000              | \$ 2,266,948     | \$ 10,726       | \$ 2,287,674     |
| Private Contributions                                    | 76,880                 | -                | 299,206         | 376,086          |
| Interest and Investment Earnings                         | 2,017                  | -                | 14,655          | 16,672           |
| Sales Tax Refunds  | 443                    | -                | 1,250           | 1,693            |
| Other Receipts   | 1,975                  | -                | -               | 1,975            |
| <b>Total Receipts</b>                                    | <b>91,315</b>          | <b>2,266,948</b> | <b>325,837</b>  | <b>2,684,100</b> |
| <b>Expenditures:</b>                                     |                        |                  |                 |                  |
| Programs:  |                        |                  |                 |                  |
| Child Care and Education Quality                         | -                      | 912,454          | 38,066          | 950,520          |
| Child Care and Education Accessibility and Availability  | -                      | 204,977          | 313,048         | 518,025          |
| Child Care and Education Affordability                   | -                      | 121,599          | -               | 121,599          |
| Health and Safety  | -                      | 243,913          | -               | 243,913          |
| Family Support   | -                      | 536,711          | 7,472           | 544,183          |
| Communities in Schools                                   | 14,639                 | -                | -               | 14,639           |
| Support:   |                        |                  |                 |                  |
| Management and General                                   | 90,478                 | 216,331          | 15,975          | 322,784          |
| Other:   |                        |                  |                 |                  |
| Sales Tax Paid   | -                      | -                | 1,417           | 1,417            |
| Refund of Prior Year Grants                              | -                      | -                | 2,585           | 2,585            |
| <b>Total Expenditures</b>                                | <b>105,117</b>         | <b>2,235,985</b> | <b>378,563</b>  | <b>2,719,665</b> |
| <b>Excess (Deficiency) of Receipts Over Expenditures</b> | <b>(13,802)</b>        | <b>30,963</b>    | <b>(52,726)</b> | <b>(35,565)</b>  |
| <b>Net Assets at Beginning of Year</b>                   | <b>37,050</b>          | <b>11,666</b>    | <b>59,638</b>   | <b>108,354</b>   |
| <b>Net Assets at End of Year</b>                         | <b>\$ 23,248</b>       | <b>\$ 42,629</b> | <b>\$ 6,912</b> | <b>\$ 72,789</b> |
| <b>Net Assets Consisted of:</b>                          |                        |                  |                 |                  |
| Cash on Deposit  | \$ 23,248              | \$ 5,135         | \$ 6,879        | \$ 35,262        |
| Refunds Due From Contractors                             | -                      | 37,494           | 33              | 37,527           |
|  | <b>\$ 23,248</b>       | <b>\$ 42,629</b> | <b>\$ 6,912</b> | <b>\$ 72,789</b> |

The accompanying notes are an integral part of these statements.

***Communities in Schools of Caldwell County  
Statement of Functional Expenditures - Regulatory Basis  
For the Year Ended June 30, 2001***

***Exhibit B***

|   | Total              | Personnel         | Contracted Services | Supplies and Materials | Other Operating  | Fixed Charges and Other | Property and Equipment Outlay | Services/ Contracts/ Grants | Participant Training |
|---|--------------------|-------------------|---------------------|------------------------|------------------|-------------------------|-------------------------------|-----------------------------|----------------------|
| <b>Communities in Schools Fund:</b>                     |                    |                   |                     |                        |                  |                         |                               |                             |                      |
| <b>Programs:</b>  |                    |                   |                     |                        |                  |                         |                               |                             |                      |
| Communities in Schools                                  | \$ 14,639          | \$ -              | \$ -                | \$ -                   | \$ 14,639        | \$ -                    | \$ -                          | \$ -                        | \$ -                 |
| <b>Support:</b>   |                    |                   |                     |                        |                  |                         |                               |                             |                      |
| Management and General                                  | 90,478             | 69,179            | 3,044               | 824                    | 9,093            | 8,338                   | -                             | -                           | -                    |
| <b>Total Communities in Schools Expenditures</b>        | <b>\$ 105,117</b>  | <b>\$ 69,179</b>  | <b>\$ 3,044</b>     | <b>\$ 824</b>          | <b>\$ 23,732</b> | <b>\$ 8,338</b>         | <b>\$ -</b>                   | <b>\$ -</b>                 | <b>\$ -</b>          |
| <b>Smart Start Fund:</b>                                |                    |                   |                     |                        |                  |                         |                               |                             |                      |
| <b>Programs:</b>  |                    |                   |                     |                        |                  |                         |                               |                             |                      |
| Child Care and Education Quality                        | \$ 912,454         | \$ -              | \$ -                | \$ 69                  | \$ -             | \$ -                    | \$ -                          | \$ 912,385                  | \$ -                 |
| Child Care and Education Accessibility and Availability | 204,977            | -                 | -                   | -                      | -                | -                       | -                             | 204,977                     | -                    |
| Child Care and Education Affordability                  | 121,599            | -                 | 6,800               | 2,313                  | -                | -                       | -                             | 112,486                     | -                    |
| Health and Safety                                       | 243,913            | -                 | -                   | -                      | -                | -                       | -                             | 243,913                     | -                    |
| Family Support  | 536,711            | -                 | -                   | 3,183                  | -                | -                       | -                             | 533,528                     | -                    |
| <b>Support:</b>   |                    |                   |                     |                        |                  |                         |                               |                             |                      |
| Management and General                                  | 216,331            | 109,721           | 26,904              | 5,205                  | 37,076           | 20,511                  | 16,914                        | -                           | -                    |
| <b>Total Smart Start Fund Expenditures</b>              | <b>\$2,235,985</b> | <b>\$ 109,721</b> | <b>\$ 33,704</b>    | <b>\$ 10,770</b>       | <b>\$ 37,076</b> | <b>\$ 20,511</b>        | <b>\$ 16,914</b>              | <b>\$2,007,289</b>          | <b>\$ -</b>          |
| <b>Other Funds:</b>                                     |                    |                   |                     |                        |                  |                         |                               |                             |                      |
| <b>Programs:</b>  |                    |                   |                     |                        |                  |                         |                               |                             |                      |
| Child Care and Education Quality                        | \$ 38,066          | \$ -              | \$ -                | \$ -                   | \$ -             | \$ -                    | \$ -                          | \$ 37,919                   | \$ 147               |
| Child Care and Education Accessibility and Availability | 313,048            | -                 | -                   | -                      | -                | -                       | -                             | 313,048                     | -                    |
| Family Support  | 7,472              | -                 | -                   | -                      | -                | -                       | -                             | 7,367                       | 105                  |
| <b>Support:</b>   |                    |                   |                     |                        |                  |                         |                               |                             |                      |
| Management and General                                  | 15,975             | -                 | 14,992              | 117                    | -                | -                       | 101                           | -                           | 765                  |
| <b>Other:</b>   |                    |                   |                     |                        |                  |                         |                               |                             |                      |
| Sales Tax Paid  | 1,417              | -                 | -                   | 1,417                  | -                | -                       | -                             | -                           | -                    |
| Refund of Prior Year Grants                             | 2,585              | -                 | -                   | -                      | 2,585            | -                       | -                             | -                           | -                    |
| <b>Total Other Funds Expenditures</b>                   | <b>\$ 378,563</b>  | <b>\$ -</b>       | <b>\$ 14,992</b>    | <b>\$ 1,534</b>        | <b>\$ 2,585</b>  | <b>\$ -</b>             | <b>\$ 101</b>                 | <b>\$ 358,334</b>           | <b>\$ 1,017</b>      |

The accompanying notes are an integral part of these statements.



**COMMUNITIES IN SCHOOLS OF CALDWELL COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2001**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization and Purpose** - The Communities in Schools of Caldwell County (CIS of Caldwell County) is a legally separate nonprofit organization incorporated on January 19, 1989. CIS of Caldwell County was selected effective January 11, 1994, to administer the early childhood initiatives program (Smart Start) in Caldwell County. CIS of Caldwell County was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. CIS of Caldwell County is tax-exempt as an organization described in Section 501(c)(3) of the Internal Revenue Code.

**B. Basis of Presentation** - The accompanying financial statements present all funds for which the CIS of Caldwell County's Board of Directors is responsible. In accordance with 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.

CIS of Caldwell County did not have any temporarily or permanently restricted net assets at June 30, 2001.

**C. Basis of Accounting** - The accompanying financial statements were prepared on the regulatory basis of accounting as prescribed by the North Carolina Partnership for Children, Inc. 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 are recognized as a reduction to expenditures and an increase to net assets.

**D. Refunds Due From Contractors** - Refunds due from contractors represent the unexpended amount of advances to contractors at year end which are to be refunded back to the State. As recoveries are collected, the receivable

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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balance is reduced. Payments to the State for the recovered advances are recorded as a reduction to the state awards balance.

### NOTE 2 - DEPOSITS

All funds of CIS of Caldwell County are deposited with two commercial banks and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 (per bank). Deposits over this amount subjects CIS of Caldwell County to a concentration of credit risk.

### NOTE 3 - FUNDING FROM GRANT AWARDS

**Smart Start Program** - CIS of Caldwell County'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 CIS of Caldwell County and represents a concentration of credit risk as to the generation of revenue.

Associated with these contracts, CIS of Caldwell County 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 Department of Health and Human Services (DHHS) entered into contracts with and made payments to service providers selected by CIS of Caldwell County. These service provider contracts are not reflected on the accompanying financial statement. However, a summary of the service provider contracts entered into by DHHS is presented on Schedule 2 accompanying the financial statements.

CIS of Caldwell County was awarded \$2,300,224 under a current year Smart Start contract with NCPC and has received \$2,278,614 of this amount. The unexpended balance of this contract is subject to reversion to the State. The Partnership has returned \$42,912 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2001.

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

### NOTE 4 - RELATED PARTY TRANSACTIONS

**Service Provider Contracts with Board Member Organizations** - The board members of CIS of Caldwell County are representative of various organizations that benefit from actions taken by the Board. It is the policy of CIS of Caldwell

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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County that board members not be involved with decisions regarding organizations they represent. During the year, the 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 Partnership's Smart Start Allocation.

### **NOTE 5 - FUNCTIONAL EXPENDITURES**

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis. Also, the Statement of Functional Expenditures - Regulatory 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.

#### **A. Program Functions**

**Child Care and Education Quality** - Used to account for service activities including quality enhancement grants, early education enhancement programs, child care resource and referral, provider training, and child care provider support.

**Child Care and Education Accessibility and Availability** - Used to account for service activities including inclusion support and increase child care spaces.

**Child Care and Education Affordability** - Used to account for service activities including increase market rate, supplement for quality, and transportation to child care.

**Health and Safety** - Used to account for service activities including comprehensive health services and special needs-specialized therapy.

**Family Support** - Used to account for service activities including family resource center, family support, ongoing parent education, support services for children in crisis, literacy projects, family literacy, transportation services, drop-in part day child care program.

**Communities in Schools** - Used to account for service activities for at-risk youth in Caldwell County and to their families through the supportive environment of the public schools or alternate educational sites. The object

## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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of the program is to reduce the number of school drop-outs in Caldwell County.

### **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.

### **NOTE 6 - PENSION PLAN**

CIS of Caldwell County sponsors a defined contribution 401(k) retirement plan covering all full-time employees. Employee contributions made to the plan are exempt from federal and state income taxes until the amounts are withdrawn. CIS of Caldwell County contributes 50 percent of all employee contributions up to three percent of their annual salary. All costs of administering the plan are the responsibility of the plan. During the year employee and employer contributions were \$4,055 and \$2,815, respectively.

The Caldwell County Board of Education pays the salary for the office manager of CIS of Caldwell County and the Happy Valley Site Director. As full-time employees of CIS of Caldwell County paid by the Caldwell County Board of Education, they are members of the Teachers' and State Employees' Retirement System pension plan which is administered by the North Carolina State Treasurer. Additional information about the System can be located in the State of North Carolina's Comprehensive Annual Financial Report. The employees contributed 6% of gross wages and the Caldwell County Board of Education contributed 7.13% for the year ended June 30, 2001. The Caldwell County Board of Education has no pension obligations beyond its contributions already paid into the system. For the year ended June 30, 2001, CIS of Caldwell County had a total payroll of \$147,448, of which \$28,487, was covered under the plan.

***Communities in Schools of Caldwell County***

***Schedule of Contract and Grant Expenditures - Regulatory Basis***

***For the Year Ended June 30, 2001***

***Schedule 1***

| <b>Organization Name</b>                        | <b>Smart Start Fund</b>    |                       | <b>Other Funds</b>         |                       |
|---|----------------------------|-----------------------|----------------------------|-----------------------|
|   | <b>Amount<br/>Advanced</b> | <b>Refund<br/>Due</b> | <b>Amount<br/>Advanced</b> | <b>Refund<br/>Due</b> |
| Blue Ridge Community Action *                   | \$ 147,892                 | \$ -                  | \$ -                       | \$ -                  |
| Caldwell Arts Council                           | 7,500                      | -                     | -                          | -                     |
| Caldwell Committee for Healthy Families *       | 28,278                     | (41)                  | -                          | -                     |
| Caldwell Community College *                    | 332,928                    | (14,394)              | -                          | -                     |
| Caldwell County *                               | 443                        | -                     | -                          | -                     |
| Caldwell County Department of Social Services * | 41,992                     | -                     | -                          | -                     |
| Caldwell County Health Department *             | 227,496                    | (15,883)              | -                          | -                     |
| Caldwell County Library *                       | 11,950                     | (4)                   | 3,300                      | (33)                  |
| Caldwell County Schools *                       | 235,232                    | (6,616)               | 6,605                      | -                     |
| Child Care Connections of Burke County *        | 462,078                    | (547)                 | 18,500                     | -                     |
| Creative Beginnings of Lenoir, LLC *            | 87,720                     | -                     | 260,167                    | -                     |
| Foothills Area Programs *                       | 39,888                     | -                     | -                          | -                     |
| Jefferson Pilot Financial Insurance Co.         | 45,580                     | -                     | 2,405                      | -                     |
| Oak Hill Ruritan Club                           | 25,000                     | -                     | 60,006                     | -                     |
| Other   | 7,840                      | (9)                   | -                          | -                     |
| Progressive Transportation                      | 36,837                     | -                     | -                          | -                     |
| Shelter Home of Caldwell County, Inc.           | 22,640                     | -                     | -                          | -                     |
| Western Carolina Center Foundation *            | 251,527                    | -                     | 4,100                      | -                     |
|   | <b>2,012,821</b>           | <b>(37,494)</b>       | <b>355,083</b>             | <b>(33)</b>           |
| <b>Individuals:</b>                             |                            |                       |                            |                       |
| Insurance Stipends                              | <b>31,962</b>              | <b>-</b>              | <b>3,284</b>               | <b>-</b>              |
|   | <b>\$ 2,044,783</b>        | <b>\$ (37,494)</b>    | <b>\$ 358,367</b>          | <b>\$ (33)</b>        |

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

See Independent Auditors' Report.

***Communities in Schools of Caldwell County  
Schedule of State Level Service Provider Contracts  
For the Year Ended June 30, 2001***

***Schedule 2***

| <b>Organization Name</b>                      | <b>DHHS<br/>Contracts</b>                                  |              |
|---|--|--------------|
| Caldwell County Department of Social Services | * <table border="1"><tr><td>\$ 1,075,795</td></tr></table> | \$ 1,075,795 |
| \$ 1,075,795                                  |  |              |

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

The information on this schedule provides a listing of service provider contracts entered into by the Department of Health and Human Services (DHHS) as described in Note 3 - Funding From Grant Awards.

See Independent Auditors' Report.

***Communities in Schools of Caldwell County  
Schedule of State Awards - Regulatory Basis  
For the Year Ended June 30, 2001***

***Schedule 3***

| <u>State Grantor/Pass-through Grantor/Program</u>                   | <u>Contract #</u> | <u>Receipts</u>            | <u>Expenditures</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 (Prior Year)                    | * 1-90-1-02-001   | \$ (11,666)                | \$ -                       |
| Early Childhood Initiatives Program (Current Year)                  | * 1-01-1-02-001   | 2,278,614                  | 2,235,985                  |
| Accounting Grant  | -                 | (1,274)                    | -                          |
| Accounting Grant  | -                 | 12,000                     | 12,000                     |
| North Carolina Department of Juvenile Justice                       |                   |                            |                            |
| Pass-through from CISNC   |                   |                            |                            |
| CIS State Grant   | -                 | <u>10,000</u>              | <u>10,000</u>              |
| <b>Total State Awards</b>   |                   | <b><u>\$ 2,287,674</u></b> | <b><u>\$ 2,257,985</u></b> |

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

See Independent Auditors' Report.

***Communities in Schools of Caldwell County  
Schedule of Property and Equipment  
For the Year Ended June 30, 2001***

***Schedule 4***

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|                                      |    |               |
|--------------------------------------|----|---------------|
| Furniture and Non-Computer Equipment | \$ | 15,808        |
| Computer Equipment/Printers          |    | 42,974        |
| Motor Vehicles                       |    | <u>41,070</u> |
| Total Property and Equipment         | \$ | <u>99,852</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. On the regulatory basis of accounting, these items are expensed in the year purchased.

See Independent Auditors' Report.



***Communities in Schools of Caldwell County  
Schedule of Qualifying Match (Non-GAAP)  
For the Year Ended June 30, 2001***

***Schedule 5***

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

|                            |                   |
|----------------------------|-------------------|
| Cash                       | \$ 376,086        |
| In-Kind Goods and Services | <u>15,251</u>     |
|                            | <u>\$ 391,337</u> |

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

|                            |                   |
|----------------------------|-------------------|
| Cash                       | \$ 307,493        |
| In-Kind Goods and Services | <u>23,585</u>     |
|                            | <u>\$ 331,078</u> |

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 1999-237, Section 11.48(l). The law allows for volunteer services to be valued for match purposes, a concept that deviates from accounting principles generally accepted in the United States of America.

See Independent Auditors' Report.



**INDEPENDENT AUDITORS' REPORT  
ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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Board of Directors  
Communities in Schools of Caldwell County  
Lenoir, North Carolina

We have audited the financial statements of the Communities in Schools of Caldwell County (CIS of Caldwell County) as of and for the year ended June 30, 2001, and have issued our report thereon dated January 9, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether CIS of Caldwell County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered CIS of Caldwell County's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting

**INDEPENDENT AUDITORS' REPORT  
ON COMPLIANCE AND ON INTERNAL CONTROL  
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GOVERNMENT AUDITING STANDARDS (CONCLUDED)**

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would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the management of the partnership, the North Carolina Partnership for Children, the Governor, and the General Assembly and is not intended to be, and should not be, used by anyone other than these specified parties.

January 9, 2002

*Crisp Hughes Evans LLP*

## **DISTRIBUTION OF AUDIT REPORT**

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In accordance with G.S. §147-64.5 and G.S. §147-64.6(c)(14), copies of this report have been distributed to the public officials listed below. Additional copies are provided to other legislators, state officials, the press, and the general public upon request.

### **EXECUTIVE BRANCH**

|                                  |   |
|----------------------------------|---|
| The Honorable Michael F. Easley  | Governor of North Carolina  |
| The Honorable Beverly M. Perdue  | Lieutenant Governor of North Carolina   |
| The Honorable Richard H. Moore   | State Treasurer   |
| The Honorable Roy A. Cooper, III | Attorney General  |
| Mr. David T. McCoy               | State Budget Officer  |
| Mr. Robert L. Powell             | State Controller  |
| Ms. Carmen Hooker Odom           | Secretary, Department of Health and Human Services                            |
| Mr. Ashley Thrift                | Chairman, Board of Directors<br>North Carolina Partnership for Children, Inc. |
| Ms. Karen Ponder                 | Executive Director<br>North Carolina Partnership for Children, Inc.           |

### **LEGISLATIVE BRANCH**

Appointees to the Joint Legislative Commission on Governmental Operations

|                                    |  |                                      |
|------------------------------------|--|--------------------------------------|
| Senator Marc Basnight, Co-Chairman | Senator Aaron W. Plyler                    | Representative R. Phillip Haire      |
| Senator Charlie Albertson          | Senator Eric M. Reeves                     | Representative Dewey L. Hill         |
| Senator Frank W. Ballance, Jr.     | Senator Dan Robinson                       | Representative Mary L. Jarrell       |
| Senator Charles Carter             | Senator Larry Shaw                         | Representative Maggie Jeffus         |
| Senator Daniel G. Clodfelter       | Senator Robert G. Shaw                     | Representative Larry T. Justus       |
| Senator Walter H. Dalton           | Senator R. C. Soles, Jr.                   | Representative Edd Nye               |
| Senator James Forrester            | Senator Ed N. Warren                       | Representative Warren C. Oldham      |
| Senator Linda Garrou               | Senator David F. Weinstein                 | Representative William C. Owens, Jr. |
| Senator Wilbur P. Gulley           | Senator Allen H. Wellons                   | Representative E. David Redwine      |
| Senator Kay R. Hagan               | Representative James B. Black, Co-Chairman | Representative R. Eugene Rogers      |
| Senator David W. Hoyle             | Representative Martha B. Alexander         | Representative Drew P. Saunders      |
| Senator Luther H. Jordan, Jr.      | Representative Flossie Boyd-McIntyre       | Representative Wilma M. Sherrill     |
| Senator Ellie Kinnaird             | Representative E. Nelson Cole              | Representative Ronald L. Smith       |
| Senator Howard N. Lee              | Representative James W. Crawford, Jr.      | Representative Joe P. Tolson         |
| Senator Jeanne H. Lucas            | Representative William T. Culpepper, III   | Representative Gregg Thompson        |
| Senator R. L. Martin               | Representative W. Pete Cunningham          | Representative Russell E. Tucker     |
| Senator William N. Martin          | Representative Beverly M. Earle            | Representative Thomas E. Wright      |
| Senator Stephen M. Metcalf         | Representative Ruth M. Easterling          | Representative Douglas Y. Yongue     |
| Senator Fountain Odom              | Representative Stanley H. Fox              |                                      |

### **Other Legislative Officials**

|                                       |  |
|---------------------------------------|--|
| Representative Philip A. Baddour, Jr. | Majority Leader of the N.C. House of Representatives |
| Senator Anthony E. Rand               | Majority Leader of the N.C. Senate                   |
| Senator Patrick J. Ballantine         | Minority Leader of the N.C. Senate                   |
| Representative N. Leo Daughtry        | Minority Leader of the N.C. House of Representatives |
| Representative Joe Hackney            | N. C. House Speaker Pro-Tem                          |
| Mr. James D. Johnson                  | Director, Fiscal Research Division                   |

## ORDERING INFORMATION

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Copies of this report may be obtained by contacting the:

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State of North Carolina  
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Raleigh, North Carolina 27699-0601

Internet: <http://www.ncauditor.net>

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