

Financial Statement Audit Report of
Region A Partnership for Children
Sylva, 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

REGION A PARTNERSHIP FOR CHILDREN

SYLVA, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2001

BOARD OF DIRECTORS

GENE PERROTTA, CHAIRMAN

ADMINISTRATIVE OFFICER

JUNE T. SMITH, EXECUTIVE DIRECTOR

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Ralph Campbell, Jr.
State Auditor

STATE OF NORTH CAROLINA

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AUDITOR'S TRANSMITTAL

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

This report presents the results of the financial statement audit of the Region A Partnership for Children 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 Region A Partnership for Children 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 Region A Partnership for Children is one of these local partnerships. As such, the Region A Partnership for Children 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 cursive script that reads "Ralph Campbell, Jr.".

Ralph Campbell, Jr.
State Auditor



INDEPENDENT AUDITORS' REPORT

Board of Directors
Region A Partnership for Children
Sylva, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis of the Region A Partnership for Children (Region A Partnership) 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 Region A 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 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 accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Region A Partnership for Children 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)

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2001 on our consideration of the Region A Partnership'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 Region A Partnership for Children 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.

December 17, 2001

Crisp Hughes Evans LLP

***Region A Partnership for Children
Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis
For the Year Ended June 30, 2001*** ***Exhibit A***

	Unrestricted Funds		Temporarily Restricted Funds	Total Funds
	Smart Start Fund	Other Funds		
Receipts:				
State Awards (less refunds of \$44,625)	\$ 2,346,120	\$ 84,000	\$ -	\$ 2,430,120
Private Contributions	-	154,971	8,700	163,671
Interest and Investment Earnings	-	15,159	-	15,159
Sales Tax Refunds	-	750	-	750
Other Receipts	-	600	-	600
Total Receipts	2,346,120	255,480	8,700	2,610,300
Net Assets Released from Restrictions:				
Expiration of Time Restrictions	-	66,291	(66,291)	-
	2,346,120	321,771	(57,591)	2,610,300
Expenditures:				
Programs:				
Child Care and Education Quality	325,509	118,703	-	444,212
Child Care and Education Accessibility and Availability	210,000	-	-	210,000
Child Care and Education Affordability	355,820	-	-	355,820
Health and Safety	484,118	67,306	-	551,424
Family Support	583,188	37,473	-	620,661
Support:				
Management and General	291,585	85,873	-	377,458
Program Evaluation	79,260	-	-	79,260
Program Coordination	52,495	-	-	52,495
System Integration	-	1,100	-	1,100
Other:				
Sales Tax Paid	-	6,146	-	6,146
Total Expenditures	2,381,975	316,601	-	2,698,576
Excess (Deficiency) of Receipts Over Expenditures	(35,855)	5,170	(57,591)	(88,276)
Net Assets at Beginning of Year	44,625	16,413	74,531	135,569
Net Assets at End of Year	\$ 8,770	\$ 21,583	\$ 16,940	\$ 47,293
Net Assets Consisted of:				
Cash on Deposit	\$ -	\$ 20,759	\$ 16,940	\$ 37,699
Investments	-	1,324	-	1,324
Refunds Due From Contractors	8,770	-	-	8,770
	8,770	22,083	16,940	47,793
Less: Funds Held for Others	-	500	-	500
	\$ 8,770	\$ 21,583	\$ 16,940	\$ 47,293

The accompanying notes are an integral part of these statements.

***Region A Partnership for Children
Schedule of Functional Expenditures - Regulatory Basis
For the Year Ended June 30, 2001***

Exhibit B

	Total	Personnel	Contracted Services	Supplies and Materials	Other Operating Expenses	Fixed Charges and Other Expenses	Property and Equipment Outlay	Services/Contracts/Grants
Smart Start Fund:								
Programs:								
Child Care and Education Quality	\$ 325,509	\$ -	\$ 30,000	\$ -	\$ -	\$ -	\$ -	\$ 295,509
Child Care and Education Accessibility and Availability	210,000	-	-	-	-	-	-	210,000
Child Care and Education Affordability	355,820	30,753	9	31,801	3,920	-	13,667	275,670
Health and Safety	484,118	-	-	-	-	-	-	484,118
Family Support	583,188	-	26,550	-	-	-	-	556,638
Support:								
Management and General	291,585	149,415	36,208	10,093	55,744	7,874	32,151	100
Program Evaluation	79,260	30,415	48,105	25	715	-	-	-
Program Coordination	52,495	43,040	-	6,267	3,158	30	-	-
Total Smart Start Fund Expenditures	\$ 2,381,975	\$ 253,623	\$ 140,872	\$ 48,186	\$ 63,537	\$ 7,904	\$ 45,818	\$ 1,822,035
Other Funds:								
Programs:								
Child Care and Education Quality	\$ 118,703	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 118,703
Health and Safety	67,306	6,860	-	792	796	456	-	58,402
Family Support	37,473	-	-	-	-	-	-	37,473
Support:								
Management and General	85,873	42,837	13,105	-	3,065	26,866	-	-
System Integration	1,100	-	-	-	-	-	-	1,100
Other:								
Sales Tax Paid	6,146	-	-	6,146	-	-	-	-
Total Other Funds Expenditures	\$ 316,601	\$ 49,697	\$ 13,105	\$ 6,938	\$ 3,861	\$ 27,322	\$ -	\$ 215,678

The accompanying notes are an integral part of these statements.

REGION A PARTNERSHIP FOR CHILDREN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose - The Region A Partnership for Children (Region A Partnership) is a legally separate nonprofit organization incorporated on April 15, 1994. The Region A Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Region A 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 Region A Partnership'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.

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 Region A Partnership did not have any 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

However, unexpended advances to contractors that revert back to the State are recognized as a reduction to expenditures and an increase to net assets. In addition, amounts withheld from employee paychecks or other amounts received in an agency capacity are recorded as funds held for others.

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

E. Funds Held For Others - Funds held for others includes amounts received that are fiduciary in nature in which the Partnership acts in an agency capacity.

NOTE 2 - DEPOSITS

All funds of the Region A Partnership are deposited with one commercial bank and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Deposits over this amount subject the Region A Partnership to a concentration of credit risk. At June 30, 2001, the Region A Partnership's bank deposits in excess of the FDIC insured limit was \$97,302.

NOTE 3 - INVESTMENTS

Investments are carried at cost or, if donated, at market value at date of donation.

NOTE 4 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Region A 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, NCPC and the Department of Health and Human Services (DHHS) entered into contracts with and made payments to service providers selected by the Region A Partnership. These service provider contracts are not reflected on the accompanying financial statement. However, a summary of the service provider

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

contracts entered into by DHHS are presented on Schedule 2 accompanying the financial statements.

The Region A Partnership was awarded and has received \$2,390,745 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Partnership has returned \$8,770 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 5 - RELATED PARTY TRANSACTIONS

A. Service Provider Contracts with Board Member Organizations - The board members of the Region A Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Region A Partnership 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.

B. Other Related Parties - Private contributions include \$3,200 received from 25 of the 35 Board members and \$270 from 4 staff members. In addition, 4 Board members and the remaining 2 staff members contributed monies to the Region A Partnership sponsored endowment, Carolina Mountain Trust, in the name of the Region A Partnership.

NOTE 6 - 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:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

A. Program Functions

Child Care and Education Quality - Used to account for service activities including quality enhancement grants, program upgrade projects, early education enhancement programs, child care resource and referral, professional development, salary supplements, provider training, child care provider support, health and safety training for child care professionals, special needs training for child care professionals, resources and materials, curriculum enhancement, outreach materials, information and resources, outreach plan to assess services, and school readiness programs.

Child Care and Education Accessibility and Availability - Used to account for service activities including inclusion support, increase child care spaces, outreach materials, information and resources, and outreach plan to assess services.

Child Care and Education Affordability - Used to account for service activities including expand child care eligibility, eliminate waiting list, child care coordinator, public preschool classes, Head Start wraparound, Head Start summer program, scholarship program, supplement for quality, Head Start classrooms, outreach materials, information and resources, outreach plan to assess services, cooperative play groups, and enrolled part day care programs.

Health and Safety - Used to account for service activities including immunization support, dental treatment, dental screenings, dental education, comprehensive dental services, speech and hearing screenings, vision screenings, comprehensive screenings, prenatal/newborn services, outreach nurses, comprehensive health support, special needs - early intervention services, special needs - specialized therapy, outreach materials, information and resources, outreach plan to assess services, school readiness/developmental screenings, and nutrition programs.

Family Support - Used to account for service activities including family resource center, teen parent/child program, parenting skills training, ongoing parent education, general family support, intensive home visiting, community leadership, support services for children in crisis, family crisis intervention, special needs - family support, literacy projects, family literacy, MotherRead, transportation services, outreach materials, information and resources, outreach plan to assess services, drop-in part day child care program, school readiness program, and community playgrounds.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

B. Support Functions

Management and General - Expenditures that are not identifiable with a single program or fund-raising activity but are indispensable to the conduct of those activities and to an organization's existence, including expenditures for the overall direction of the organization, its general board activities, business management, general recordkeeping, budgeting, and related purposes.

Program Evaluation - Expenditures that are incurred to monitor the performance of service providers as to the delivery of services and adherence to the specific terms and conditions of the contracts.

Program Coordination - 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.

System Integration - Expenditures incurred for information management across several agencies/organizations bridging numerous service areas.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Loan Commitment - The Region A Partnership has a note with a balance of \$81,776 at June 30, 2001 that is secured by a land and building and payable to an individual in monthly installments of \$2,052. This amount includes principal and interest computed at an annual rate of 8.5%.

The future scheduled maturities of long-term debt are as follows:

<u>Fiscal Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>
2002	\$ 18,374	\$ 6,246
2003	19,998	4,622
2004	21,766	2,854
2005	21,638	930
Total Loan Payments	<u>\$ 81,776</u>	<u>\$ 14,652</u>

NOTE 8 - PENSION PLAN

The Region A Partnership has a Simplified Employee Pension (SEP) plan covering all full-time employees. Each full-time employee of the Region A Partnership, as a condition of employment, is provided an Individual Retirement Account through an outside insurance company. The Region A Partnership

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

contributed 8.3% of gross wages for the year ended June 30, 2001. The Region A Partnership does not own the accounts nor is liable for any other cost other than the required contribution.

The Region A Partnership contributed \$20,303 for pension benefits during the year.

NOTE 9 - RESTRICTIONS ON NET ASSETS

A. Temporarily Restricted Net Assets - Temporarily restricted net assets at June 30, 2001 are available for the following purposes:

Purpose	Amount
Construction of Child Development Center	\$ 4,978
Family Support Programs	4,108
Parents As Teachers Program	1,080
Cherokee County Playground Project	9,428
Child Care Health Consultant	(11,099)
Massage Therapy Program	46
Activity Kits	7,500
Carolina Mountain Trust	1,200
Development Office	(781)
Quality Enhancement and Expansion Project	480
	\$ 16,940

B. Net Assets Released From Donor Restrictions - Net assets were released from donor restrictions during the fiscal year ended June 30, 2001, by incurring expenditures satisfying the restricted purposes as follows:

Purpose	Amount
Construction of Child Development Center	\$ 21,209
Cherokee County Playground Project	6,600
Child Care Health Consultant	(7,183)
Massage Therapy Program	37,473
Quality Enhancement and Expansion Project	(6,700)
Family Support Programs	14,892
	\$ 66,291

Region A Partnership for Children
Schedule of Contract and Grant Expenditures - Regulatory Basis
For the Year Ended June 30, 2001

Schedule 1

Organization Name	Smart Start Fund		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
Cherokee Center for Family Services	\$ 16,195	\$ -	\$ -	\$ -
Cherokee County Health Department	46,987	(416)	-	-
Cherokee County Playground	-	-	31,044	-
Cherokee Family Resource Center	53,169	-	-	-
Clay County Health Department	33,789	(3,011)	-	-
Clay County Schools	* 35,000	-	-	-
Eastern Band of the Cherokee Indians	72,920	(823)	-	-
Fontana Regional Library	* 58,200	-	-	-
Four Square Community Action	182,500	-	-	-
Graham County Health Department	44,139	-	-	-
Graham County Schools	* 23,935	(1,164)	-	-
Haywood County Health Department	* 96,175	-	-	-
Haywood County Library	26,390	(256)	-	-
Haywood Community College	150,000	-	35,000	-
Jackson County Health Department	* 83,455	(642)	-	-
K.A.R.E. of Haywood County	* 36,686	-	-	-
Macon County Health Department	* 67,185	-	58,402	-
Macon Program for Progress	* 104,735	-	-	-
Mountain Projects, Inc.	* 133,268	-	-	-
Smoky Mountain MH/SS/SAS	* 140,000	-	-	-
Southwestern Child Development Commission, Inc.	* 211,800	-	16,455	-
Swain County	* 15,494	(42)	-	-
Swain County Health Department	* 42,788	-	-	-
Swain County Schools	* 57,010	(860)	-	-
Webster CDC	-	-	36,204	-
Western Carolina University	* 48,985	-	37,473	-
Individuals:				
Various Mini Grants	40,000	(1,286)	1,100	-
Various Mini Grants	* 10,000	(270)	-	-
	\$ 1,830,805	\$ (6,770)	\$ 215,678	\$ -

* These organizations are represented on the Partnership's Board as described in Note 5A - Service Provider Contracts with Board Member Organizations.

See Independent Auditors' Report.

***Region A Partnership for Children
 Schedule of State Level Service Provider Contracts
 For the Year Ended June 30, 2001***

Schedule 2

Organization Name	DHHS Contracts
Southwestern Child Development Commission, Inc. - Service Support	* \$ 76,697
Southwestern Child Development Commission, Inc. - Subsidized Care	* 1,968,168
Child Care Services Association - WAGE\$	322,750
	\$ 2,367,615

* These organizations are represented on the Partnership's Board as described in Note 5A - 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 4 - Funding From Grant Awards.

See Independent Auditors' Report.

***Region A Partnership for Children
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>
State Awards:			
North Carolina Department of Health and Human Services			
Division of Child Development			
Pass-through from the North Carolina Partnership for Children, Inc.			
Early Childhood Initiatives Program (Prior Year)	* 1-90-1-11-001	\$ (44,825)	\$ -
Early Childhood Initiatives Program (Current Year)	* 1-01-1-11-001	2,390,745	2,381,975
Multi-County Accounting and Contracting Grant	-	<u>84,000</u>	<u>84,000</u>
Total State Awards		<u>\$ 2,430,120</u>	<u>\$ 2,465,975</u>

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

See Independent Auditors' Report.

***Region A Partnership for Children
Schedule of Property and Equipment
For the Year Ended June 30, 2001***

Schedule 4

Furniture and Non-Computer Equipment	\$ 22,574
Computer Equipment/Printers	39,460
Land and Buildings	<u>175,064</u>
Total Property and Equipment	<u>\$ 237,098</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.

***Region A Partnership for Children
Schedule of Qualifying Match (Non-GAAP)
For the Year Ended June 30, 2001***

Schedule 5

Match Provided at the Partnership Level:

Cash	\$	163,871
In-Kind Goods and Services		<u>40,056</u>
	\$	<u>203,727</u>

Match Provided at the Contractor Level:

Cash	\$	494,089
In-Kind Goods and Services		<u>498,200</u>
	\$	<u>992,289</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**

Board of Directors
Region A Partnership for Children
Sylva, North Carolina

We have audited the financial statements of the Region A Partnership for Children (Region A Partnership) as of and for the year ended June 30, 2001, and have issued our report thereon dated December 17, 2001. 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 the Region A Partnership'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 the Region A Partnership'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 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

**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 (CONCLUDED)**

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.

December 17, 2001

Crisp Hughes Evans LLP

DISTRIBUTION OF AUDIT REPORT

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 North Carolina Partnership for Children, Inc.
Ms. Karen Ponder	Executive Director 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
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Senator Stephen M. Metcalf	Representative Ruth M. Easterling	Representative Douglas Y. Yongue
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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

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