

**FINANCIAL STATEMENT AUDIT REPORT OF  
CHATHAM COUNTY PARTNERSHIP FOR CHILDREN  
PITTSBORO, 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  
CHATHAM COUNTY PARTNERSHIP FOR CHILDREN**

**PITTSBORO, NORTH CAROLINA**

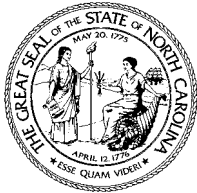
**FOR THE YEAR ENDED JUNE 30, 2001**

**BOARD OF DIRECTORS**

**DAVID ATKINSON, CHAIRMAN**

**ADMINISTRATIVE OFFICER**

**GENEVIEVE MEGGINSON, EXECUTIVE DIRECTOR**



Ralph Campbell, Jr.  
State Auditor

STATE OF NORTH CAROLINA

# Office of the State Auditor

2 S. Salisbury Street  
20601 Mail Service Center  
Raleigh, NC 27699-0601  
Telephone: (919) 807-7500  
Fax: (919) 807-7647  
Internet <http://www.osa.state.nc.us>

## AUDITOR'S TRANSMITTAL

---

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

This report presents the results of the financial statement audit of the Chatham County 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 Chatham County 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 Chatham County Partnership for Children is one of these local partnerships. As such, the Chatham County 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

## TABLE OF CONTENTS

---

	PAGE
INDEPENDENT AUDITORS' REPORT .....	1
FINANCIAL STATEMENTS	
EXHIBITS	
A - Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis.....	3
B - Statement of Functional Expenditures - Regulatory Basis.....	4
Notes to the Financial Statements.....	5
SUPPLEMENTARY SCHEDULES	
1    Schedule of Contract and Grant Expenditures - Regulatory Basis .....	11
2    Schedule of State Level Service Provider Contracts .....	12
3    Schedule of Federal and State Awards - Regulatory Basis .....	13
4    Schedule of Property and Equipment.....	14
5    Schedule of Qualifying Match (Non-GAAP) .....	15
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> .....	16
AUDIT FINDINGS AND RECOMMENDATIONS .....	18
DISTRIBUTION OF AUDIT REPORT .....	20

## INDEPENDENT AUDITORS' REPORT

---

Board of Directors  
Chatham County Partnership for Children  
Pittsboro, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis of the Chatham County Partnership for Children (Chatham 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 Chatham 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 Chatham County 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 June 20, 2002 on our consideration of the Chatham 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 Chatham County 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.

June 20, 2002

*Crisp Hughes Evans LLP*

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

	<b>Unrestricted Funds</b>		<b>Temporarily Restricted Funds</b>	<b>Total Funds</b>
	<b>Smart Start Fund</b>	<b>Other Funds</b>		
<b>Receipts:</b>				
State Awards (less refunds of \$31,164)	\$ 1,235,104	\$ 12,673	\$ -	\$ 1,247,777
Federal Awards	-	184,982	18	185,000
Private Contributions	-	23,826	24,505	48,331
Interest and Investment Earnings	-	4,436	3,049	7,485
Sales Tax Refunds	-	3,419	1	3,420
Other Receipts	-	27,561	941	28,502
<b>Total Receipts</b>	<u>1,235,104</u>	<u>256,897</u>	<u>28,514</u>	<u>1,520,515</u>
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	-	1,062	(1,062)	-
Expiration of Time Restrictions	-	5,354	(5,354)	-
	<u>1,235,104</u>	<u>263,313</u>	<u>22,098</u>	<u>1,520,515</u>
<b>Expenditures:</b>				
Programs:				
Child Care and Education Quality	301,649	7,515	-	309,164
Child Care and Education Accessibility and Availability	40,962	-	-	40,962
Child Care and Education Affordability	174,907	3,227	-	178,134
Health and Safety	134,899	8,330	-	143,229
Family Support	288,476	2,795	-	291,271
Support:				
Management and General	130,728	51,401	-	182,129
Program Evaluation	66,965	47,845	-	114,810
Program Coordination	121,767	5,641	-	127,408
Strategic Planning	-	153,648	-	153,648
Other:				
Sales Tax Paid	-	2,183	-	2,183
Refund of Prior Year Grant	-	5,354	-	5,354
<b>Total Expenditures</b>	<u>1,260,353</u>	<u>287,939</u>	<u>-</u>	<u>1,548,292</u>
<b>Excess of Receipts Over (Under) Expenditures</b>	<u>(25,249)</u>	<u>(24,626)</u>	<u>22,098</u>	<u>(27,777)</u>
<b>Net Assets at Beginning of Year</b>	<u>31,014</u>	<u>38,071</u>	<u>7,330</u>	<u>76,415</u>
<b>Net Assets at End of Year</b>	<u>\$ 5,765</u>	<u>\$ 13,445</u>	<u>\$ 29,428</u>	<u>\$ 48,638</u>
<b>Net Assets Consisted of:</b>				
Cash on Deposit	\$ -	\$ 13,445	\$ 29,428	\$ 42,873
Refunds Due From Contractors	5,765	-	-	5,765
	<u>\$ 5,765</u>	<u>\$ 13,445</u>	<u>\$ 29,428</u>	<u>\$ 48,638</u>

The accompanying notes are an integral part of these statements.

***Chatham County Partnership for Children  
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
<b>Smart Start Fund:</b>								
<b>Programs:</b>								
Child Care and Education Quality	\$ 301,649	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$301,649
Child Care and Education Accessibility and Availability	40,962	-	-	-	-	-	-	40,962
Child Care and Education Affordability	174,907	-	-	-	-	-	-	174,907
Health and Safety	134,899	-	-	-	-	-	-	134,899
Family Support	288,476	-	5,000	-	-	-	-	283,476
<b>Support:</b>								
Management and General	130,728	92,718	9,093	3,214	12,518	9,785	3,400	-
Program Evaluation	66,965	48,507	2,915	1,678	8,078	2,969	2,818	-
Program Coordination	121,767	81,886	6,389	3,372	21,948	4,753	3,419	-
<b>Total Smart Start Fund Expenditures</b>	<b>\$1,260,353</b>	<b>\$ 223,111</b>	<b>\$ 23,397</b>	<b>\$ 8,264</b>	<b>\$ 42,544</b>	<b>\$ 17,507</b>	<b>\$ 9,637</b>	<b>\$935,893</b>
<b>Other Funds:</b>								
<b>Programs:</b>								
Child Care and Education Quality	\$ 7,515	\$ -	\$ 5,000	\$ -	\$ 475	\$ 2,040	\$ -	\$ -
Child Care and Education Affordability	3,227	-	2,970	7	24	-	-	226
Health and Safety	8,330	-	-	-	-	830	-	7,500
Family Support	2,795	-	1,394	72	120	1,209	-	-
<b>Support:</b>								
Management and General	51,401	36,435	7,171	1,064	4,979	1,564	188	-
Program Evaluation	47,845	14,906	28,496	130	4,083	230	-	-
Program Coordination	5,641	-	2,285	32	3,324	-	-	-
Strategic Planning	153,648	75,591	31,591	7,640	23,120	7,665	7,932	109
<b>Other:</b>								
Sales Tax Paid	2,183	-	-	2,183	-	-	-	-
Refund of Prior Year Grant	5,354	-	-	-	5,354	-	-	-
<b>Total Other Funds Expenditures</b>	<b>\$ 287,939</b>	<b>\$ 126,932</b>	<b>\$ 78,907</b>	<b>\$ 11,128</b>	<b>\$ 41,479</b>	<b>\$ 13,538</b>	<b>\$ 8,120</b>	<b>\$ 7,835</b>

The accompanying notes are an integral part of these statements.



**CHATHAM COUNTY PARTNERSHIP FOR CHILDREN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2001**

---

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization and Purpose** - The Chatham County Partnership for Children (Chatham Partnership) is a legally separate nonprofit organization incorporated on June 30, 1994. The Chatham Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Chatham 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 Chatham 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 Chatham 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.

**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. Use of Estimates** - The financial statements include estimates and assumptions made by management for the allocation of joint costs. It is management's belief that these estimates are reasonable and fair.

### NOTE 2 - DEPOSITS

All funds of the Chatham Partnership 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 subject the Chatham Partnership to a concentration of credit risk.

### NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Chatham 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 Department of Health and Human Services (DHHS) entered into contracts with and made payments to service providers selected by the Chatham Partnership. 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

The Chatham Partnership was awarded and has received \$1,266,268 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 \$5,765 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.

**Safe Start Program** - The Chatham Partnership's other major source of revenue and support is from the U.S. Department of Justice for the Safe Start Initiative. To date, the Partnership has received and expended \$241,000 of the \$3,350,000 five-year grant. Funding is based on completion of specified phases of the project.

The Partnership expects to receive continued funding through the grant from the U.S. Department of Justice.

### NOTE 4 - RELATED PARTY TRANSACTIONS

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

### 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 and the methods utilized to allocate joint cost:

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

### A. Program Functions

**Child Care and Education Quality** - Used to account for service activities including quality enhancement grants, comprehensive child care resource and referral, professional development, resources and materials, health and safety intervention in child care, and information and resource.

**Child Care and Education Accessibility and Availability** - Used to account for service activities associated with increased child care spaces.

**Child Care and Education Affordability** - Used to account for service activities including kindergarten orientation program, eliminate waiting list, and transportation to child care.

**Health and Safety** - Used to account for service activities including health resource van, comprehensive dental services, special needs - early intervention services, and special needs - specialized therapy.

**Family Support** - Used to account for service activities including family resource center, parenting education, parenting skills training, general family support, family crisis intervention, family literacy, outreach materials, and community playgrounds.

### 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. Also, expenditures related to initial start-up of the Safe Start Initiative.

**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, as well as costs related to the initial start-up of the Safe Start Initiative.

---

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

**Strategic Planning** - Expenditures that are incurred in planning of service activities related to reducing the impact of violence in the lives of children ages 0-8 years as part of the Safe Start Initiative.

### C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

**Salaries and Benefits** - Allocated based on estimated time spent by employees for each function.

**Other Costs** - Other costs including occupancy cost (rent, utilities and maintenance), supplies and materials, communication costs (telephone and printing), and postage were allocated based on utilization data.

### NOTE 6 - COMMITMENTS AND CONTINGENCIES

**Leases** - The following is a schedule by years of future minimum rental payments required under leases that have noncancelable lease terms as of June 30, 2001:

<u>Fiscal Year</u>	<u>Operating Leases</u>	<u>Capital Leases</u>
2002	\$ 18,996	\$ 6,867
2003	18,996	6,867
2004	18,996	6,867
2005	<u>11,081</u>	<u>2,241</u>
<b>Total Minimum Lease Payments</b>	<b><u>\$ 68,069</u></b>	<b><u>\$ 22,842</u></b>

Total rental expenditure for all leases was \$25,863 for the year ended June 30, 2001.

### NOTE 7 - PENSION PLAN

The Chatham Partnership offers a 403(b) retirement plan to all full-time employees. The amount of the monthly retirement payment for each employee varies according to how much of their monthly benefit allowance they spend for other benefits (health/dental, etc.). The amount of employee benefit allowance is determined by the Board of Directors. During the year ended June 30, 2001, the Partnership contributed \$13,804 to the retirement plan and \$28,710 for other benefits.

---

## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

---

### NOTE 8 - 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
Kids Outdoors - Pilot/Model Outdoor Learning Environment	\$ 18,326
Success by Six - Triangle United Way	4,163
Smart Start Programs	3,049
Surrogate Father Project	1,107
Transportation Costs	941
Kids Outdoors or Lee/Chatham Dental Clinic	500
Safe Start Meetings	395
Family Resource Center Incorporation Costs	375
Literary Magazines	268
Liberty Chapel Project	200
Aprendiendo Program	86
Safe Start Program	18
	<u>\$ 29,428</u>

- 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
Success by Six - Triangle United Way	\$ 5354
Regionalization Grant	906
Aprendiendo Program	226
Heads Up! Program	(70)
	<u>\$ 6,416</u>

***Chatham County 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
Before The Bell Rings	* \$ 21,107	\$ -	\$ 226	\$ -
Chatham Family Resource Center	57,300	-	-	-
Child Care Networks-Health & Safety	* 50,800	-	-	-
Child Care Networks-Increase CC Supply	* 40,962	-	-	-
Child Care Networks-Prof. Deve. & ED.	* 121,466	-	-	-
Child Care Networks-Quality Improvement	* 57,600	-	-	-
Child Care Networks-Reaching Out To Latino Families	* 71,783	-	-	-
Child Care Networks-Subsidy	* 153,800	-	-	-
Children's Resource Van	* 74,712	(1,621)	-	-
Family Violence and Rape Crises	87,399	-	-	-
He Cares	* 28,360	-	-	-
Heads Up!	16,845	-	-	-
Lee County Dental Clinic	-	-	7,500	-
Little Kids	* 15,900	(3,068)	-	-
Madres/ACM	* 46,130	(35)	-	-
OPC Mental Health	* 44,963	-	-	-
Parent Education	* 29,750	-	-	-
We Care	* 22,781	(1,041)	-	-
<b>Individuals:</b>				
Stipends	-	-	109	-
	<b>\$ 941,658</b>	<b>\$ (5,765)</b>	<b>\$ 7,835</b>	<b>\$ -</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.

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

***Schedule 2***

<b>Organization Name</b>	<b>DHHS Contracts</b>
Chatham County Department of Social Services	* \$ 584,661
Child Care Services Association - WAGE\$ Program	49,339
	<b>\$ 634,000</b>

\* 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.



***Chatham County Partnership for Children  
Schedule of Federal and State Awards - Regulatory Basis  
For the Year Ended June 30, 2001***

***Schedule 3***

<u>Federal/State Grantor/Pass-through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract #</u>	<u>Receipts</u>	<u>Expenditures</u>
<b>Federal Awards:</b>				
U.S. Department of Justice Safe Start Initiative	16.540	2000-JW-VX-K002	\$ 185,000	\$ 215,725
<b>Total Federal Awards</b>			<u>185,000</u>	<u>215,725</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 (Other Prior Years)	N/A		(572)	-
Early Childhood Initiatives Program (Prior Year)	N/A	* 1-90-2-04-001	(30,592)	(150)
Early Childhood Initiatives Program (Current Year)	N/A	* 1-01-2-04-001	1,266,268	1,260,503
Multi-County Accounting and Contracting Grant	N/A	-	12,000	12,000
Mentoring Project	N/A	-	673	373
<b>Total State Awards</b>			<u>1,247,777</u>	<u>1,272,726</u>
<b>Total Federal and State Awards</b>			<u>\$ 1,432,777</u>	<u>\$ 1,488,451</u>

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

See Independent Auditors' Report.

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

***Schedule 4***

---

Furniture and Non-Computer Equipment	\$ 11,367
Computer Equipment/Printers	37,750
Motor Vehicles	<u>2,823</u>
Total Property and Equipment	<u>\$ 51,940</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 Auditor's Report.

***Chatham County 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	\$ 233,331
In-Kind Goods and Services	<u>21,088</u>
	<u>\$ 254,419</u>

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

Cash	\$ 208,173
In-Kind Goods and Services	<u>127,841</u>
	<u>\$ 336,014</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  
Chatham County Partnership for Children  
Pittsboro, North Carolina

We have audited the financial statements of the Chatham County Partnership for Children (Chatham Partnership) as of and for the year ended June 30, 2001, and have issued our report thereon dated June 20, 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 the Chatham 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 Chatham 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

**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)**

---

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.

We noted other matters involving issues of a management control nature that are described in the Audit Findings and Recommendations section of this report.

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.

June 20, 2002

*Crisp Hughes Evans LLP*

## AUDIT FINDINGS AND RECOMMENDATIONS

---

**Other Observations and Recommendations from the Current Audit** - The following presents management control issues related to the efficiency and effectiveness of operations.

### 1. SEGREGATION OF DUTIES

The Board has placed appropriate emphasis on establishing policies and procedures as guidance for the Partnership staff to ensure fiscal accountability. However, we noted the following areas where controls could be strengthened:

- The administrative assistant receives the mail, logs the deposits, and makes the deposits.
- The executive director can request a purchase, approve the purchase, make the purchase, receive purchase, and sign the check for the same purchase.

Due to the size of the Partnership, segregation of duties is difficult, but Partnership management should be aware that these functions need to be segregated as much as possible.

*Management Response:* Nominal amounts of cash are received by the Partnership; therefore, the level of risk is minimal. Nevertheless, we intend to implement a policy whereby two people will be present when the mail is opened whenever practical. There may be an occasional time when only one person is available.

Regarding the limited control on the executive director when she has the authority to perform all functions, we will implement a policy that a board member will sign any checks for purchases which have been requested, approved, purchased and received by the executive director.

### 2. CREDIT CARD CONTROLS

During our audit we noted the Partnership has two credit cards. Although we did not become aware of any problems with the credit cards, we would like to remind management of the potential for abuse. To help minimize the risk, we recommend Chatham Partnership maintain written policies and procedures establishing controls over the access and use of credit cards. Such policies should address the following areas:

- Credit limits—we recommend the Partnership evaluate the use of each credit card individually and consider lowering the credit limit to an amount that will cover the ordinary expenses charged to each card. This will help reduce the Partnership's liability if the cards were ever abused.

## **AUDIT FINDINGS AND RECOMMENDATIONS (CONCLUDED)**

---

- Restrictions on use of the card should be outlined—it should be used only for purchases for which standard checks are inconvenient, and current requisition procedures should apply to all credit card purchases.
- Review of monthly statements—a senior official, preferably a non-user, should review and approve the monthly statements and sign the checks.

*Management Response:* We agree that a policy regarding the use of credit cards is desirable and plan to develop one, considering the comments above and sample policies which the auditors have agreed to provide us.

## **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  
The Honorable Beverly M. Perdue  
The Honorable Richard H. Moore  
The Honorable Roy A. Cooper, III  
Mr. David T. McCoy  
Mr. Robert L. Powell  
Ms. Carmen Hooker Odom  
Mr. Ashley Thrift

Governor of North Carolina  
Lieutenant Governor of North Carolina  
State Treasurer  
Attorney General  
State Budget Officer  
State Controller  
Secretary, Department of Health and Human Services  
Chairman, Board of Directors  
North Carolina Partnership for Children, Inc.  
Executive Director  
North Carolina Partnership for Children, Inc.

Ms. Karen Ponder

### **LEGISLATIVE BRANCH**

#### **Appointees to the Joint Legislative Commission on Governmental Operations**

Senator Marc Basnight, Co-Chairman  
Senator Charlie Albertson  
Senator Frank W. Ballance, Jr.  
Senator Charles Carter  
Senator Daniel G. Clodfelter  
Senator Walter H. Dalton  
Senator James Forrester  
Senator Linda Garrou  
Senator Wilbur P. Gulley  
Senator Kay R. Hagan  
Senator David W. Hoyle  
Senator Ellie Kinnaird  
Senator Howard N. Lee  
Senator Jeanne H. Lucas  
Senator R. L. Martin  
Senator William N. Martin  
Senator Stephen M. Metcalf  
Senator Fountain Odom

Senator Aaron W. Plyler  
Senator Eric M. Reeves  
Senator Dan Robinson  
Senator Larry Shaw  
Senator Robert G. Shaw  
Senator R. C. Soles, Jr.  
Senator Ed N. Warren  
Senator David F. Weinstein  
Senator Allen H. Wellons  
Representative James B. Black, Co-Chairman  
Representative Martha B. Alexander  
Representative Flossie Boyd-McIntyre  
Representative E. Nelson Cole  
Representative James W. Crawford, Jr.  
Representative William T. Culpepper, III  
Representative W. Pete Cunningham  
Representative Beverly M. Earle  
Representative Ruth M. Easterling  
Representative Stanley H. Fox

Representative R. Phillip Haire  
Representative Dewey L. Hill  
Representative Mary L. Jarrell  
Representative Maggie Jeffus  
Representative Larry T. Justus  
Representative Edd Nye  
Representative Warren C. Oldham  
Representative William C. Owens, Jr.  
Representative E. David Redwine  
Representative R. Eugene Rogers  
Representative Drew P. Saunders  
Representative Wilma M. Sherrill  
Representative Ronald L. Smith  
Representative Joe P. Tolson  
Representative Gregg Thompson  
Representative Russell E. Tucker  
Representative Thomas E. Wright  
Representative Douglas Y. Yongue

### **Other Legislative Officials**

Representative Philip A. Baddour, Jr.  
Senator Anthony E. Rand  
Senator Patrick J. Ballantine  
Representative N. Leo Daughtry  
Representative Joe Hackney  
Mr. James D. Johnson

Majority Leader of the N.C. House of Representatives  
Majority Leader of the N.C. Senate  
Minority Leader of the N.C. Senate  
Minority Leader of the N.C. House of Representatives  
N. C. House Speaker Pro-Tem  
Director, Fiscal Research Division



## **ORDERING INFORMATION**

---

Copies of this report may be obtained by contacting the:

Office of the State Auditor  
State of North Carolina  
2 South Salisbury Street  
20601 Mail Service Center  
Raleigh, North Carolina 27699-0601

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

Telephone: 919/807-7500

Facsimile: 919/807-7647