



# STATE OF NORTH CAROLINA

**FINANCIAL STATEMENT AUDIT REPORT OF**

**WAKE COUNTY SMARTSTART**

**RALEIGH, NORTH CAROLINA**

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

**OFFICE OF THE STATE AUDITOR**

**RALPH CAMPBELL, JR.**

**STATE AUDITOR**

**FINANCIAL STATEMENT AUDIT REPORT OF**

**WAKE COUNTY SMARTSTART**

**RALEIGH, NORTH CAROLINA**

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

**BOARD OF DIRECTORS**

**NEILL McLEOD, CHAIRMAN**

**ADMINISTRATIVE OFFICER**

**PAM DOWDY, 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, Wake County SmartStart

This report presents the results of our financial statement audit of the Wake County SmartStart (Wake Partnership) for the year ended June 30, 2001. Our audit was made by authority of Article 5A of G.S. §147.

The accounts and operations of the Wake Partnership were subject to audit procedures as we considered necessary for us to report on the accompanying financial statements and supplementary information. The audit procedures were conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States.

The audit of the Wake Partnership 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 demonstration projects (local partnerships). The Wake Partnership is one of these local partnerships. As such, the Wake Partnership is a private nonprofit 501(c)(3) organization and is required by G.S. 143B-168.14(b) to have an annual financial and compliance audit conducted by the State Auditor.

The purpose of this report is to present the results of our audit on the accompanying financial statements. A summary of our reporting objectives and audit results are:

- 1. Objective** - Express an opinion on the accompanying financial statements and supplementary information.

**Results** – The accompanying financial statements present fairly, in all material respects, the amounts and disclosures made in accordance with the regulatory basis of accounting established by the North Carolina Partnership for Children, Inc. The accompanying supplementary information presents information that is fairly stated in all material respects in relation to the basic financial statements.

## AUDITOR'S TRANSMITTAL (CONCLUDED)

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2. **Objective** - Present instances of noncompliance, if any, with laws, regulations, contracts, or grants.

**Results** - Our tests disclosed no instances of noncompliance which require disclosure herein under *Government Auditing Standards*.

3. **Objective** - Present significant deficiencies, if any, in internal control over financial reporting which could adversely affect the Wake Partnership's ability to record, process, summarize, and report financial data in the financial statement.

**Results** - Our tests disclosed no material weaknesses in the internal control over financial reporting which require disclosure herein under *Government Auditing Standards*.

North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of 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.



Ralph Campbell, Jr.  
State Auditor

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Ralph Campbell, Jr.  
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**INDEPENDENT AUDITOR'S REPORT**

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Board of Directors  
Wake County SmartStart  
Raleigh, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis of the Wake County SmartStart (Wake 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 Wake 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 generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Wake County SmartStart 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2001 on our consideration of the Wake 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 auditor's report in considering the results of our audit.

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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Our audit was made for the purpose of forming an opinion on the basic financial statements of the Wake County SmartStart 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.



Ralph Campbell, Jr.  
State Auditor

December 14, 2001

**Wake County SmartStart, Inc.****Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis****For the Year Ended June 30, 2001****Exhibit A**

	Unrestricted Funds		Temporarily	Total
	Smart Start Fund	Other Funds	Restricted Funds	
<b>Receipts:</b>				
State Awards (less refunds of \$946,047)	\$ 15,819,257	\$ 12,898	\$ 0	\$ 15,832,155
Federal Awards		8,084		8,084
Private Contributions		17,310	6,500	23,810
Special Fund Raising Events		341		341
Interest and Investment Earnings		83,216		83,216
Sales Tax Refunds		53,750		53,750
Other Receipts	159,298	45		159,343
<b>Total Receipts</b>	<b>15,978,555</b>	<b>175,644</b>	<b>6,500</b>	<b>16,160,699</b>
<b>Expenditures:</b>				
Programs:				
Child Care and Education Quality	4,600,145	13,673		4,613,818
Child Care and Education Accessibility and Availability	62,295			62,295
Child Care and Education Affordability	8,034,433	20,000		8,054,433
Health and Safety	871,210	3,775		874,985
Family Support	1,653,662	10,000		1,663,662
Support:				
Management and General	553,823	12,155		565,978
Program Evaluation	225,561	31,028		256,589
Program Coordination	397,544	9,483		407,027
Other:				
Sales Tax Paid		56,633		56,633
<b>Total Expenditures</b>	<b>16,398,673</b>	<b>156,747</b>		<b>16,555,420</b>
<b>Excess of Receipts Over Expenditures</b>	<b>(420,118)</b>	<b>18,897</b>	<b>6,500</b>	<b>(394,721)</b>
<b>Net Assets at Beginning of Year</b>	<b>839,642</b>	<b>48,988</b>		<b>888,630</b>
<b>Net Assets at End of Year</b>	<b>\$ 419,524</b>	<b>\$ 67,885</b>	<b>\$ 6,500</b>	<b>\$ 493,909</b>
<b>Net Assets Consisted of:</b>				
Cash on Deposit	\$ 268,847	\$ 67,885	\$ 6,500	\$ 343,232
Refunds Due From Contractors	151,686			151,686
	420,533	67,885	6,500	494,918
Less: Funds Held for Others	1,009			1,009
	\$ 419,524	\$ 67,885	\$ 6,500	\$ 493,909

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



**Wake County SmartStart, Inc.**  
**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	Participant Training Expense
<b>Smart Start Fund:</b>									
<b>Programs:</b>									
Child Care and Education Quality	4,600,145	720,458	3,666	37,341	100,682	30,293	5,633	3,702,072	
Child Care and Education Accessibility and Availability	62,295							62,295	
Child Care and Education Affordability	8,034,433							8,034,433	
Health and Safety	871,210							871,210	
Family Support	1,653,662		97,174					1,556,488	
	<b>15,221,745</b>	<b>720,458</b>	<b>100,840</b>	<b>37,341</b>	<b>100,682</b>	<b>30,293</b>	<b>5,633</b>	<b>14,226,498</b>	<b>0</b>
<b>Support:</b>									
Management and General	553,823	330,046	97,363	17,934	36,460	47,519	24,501		
Program Evaluation	225,561	154,689	37,463	2,610	11,355	16,794	2,650		
Program Coordination	397,544	273,916	53,413	7,608	31,483	16,127	14,997		
	<b>1,176,928</b>	<b>758,651</b>	<b>188,239</b>	<b>28,152</b>	<b>79,298</b>	<b>80,440</b>	<b>42,148</b>	<b>0</b>	<b>0</b>
<b>Total Smart Start Fund Expenditures</b>	<b>16,398,673</b>	<b>1,479,109</b>	<b>289,079</b>	<b>65,493</b>	<b>179,980</b>	<b>110,733</b>	<b>47,781</b>	<b>14,226,498</b>	<b>0</b>
<b>Other Funds:</b>									
<b>Programs:</b>									
Child Care and Education Quality	13,673					773		12,900	
Child Care and Education Affordability	20,000							20,000	
Health and Safety	3,775							3,775	
Family Support	10,000							10,000	
	<b>47,448</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>773</b>	<b>0</b>	<b>46,675</b>	<b>0</b>
<b>Support:</b>									
Management and General	12,155		8,000	2,800	1,200	155			
Program Evaluation	31,028		30,723		305				
Program Coordination	9,483				9,433	50			
	<b>52,666</b>	<b>0</b>	<b>38,723</b>	<b>2,800</b>	<b>10,938</b>	<b>205</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other:</b>									
Sales Tax Paid	56,633	0	0	56,633	0	0	0	0	0
<b>Total Other Funds Expenditures</b>	<b>156,747</b>	<b>0</b>	<b>38,723</b>	<b>59,433</b>	<b>10,938</b>	<b>978</b>	<b>0</b>	<b>46,675</b>	<b>0</b>

**WAKE COUNTY SMARTSTART  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

- A. Organization and Purpose** - The Wake County SmartStart (Wake Partnership) is a legally separate nonprofit organization incorporated on January 5, 1996. The Wake Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Wake 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 Wake 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 Wake 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 generally accepted accounting principles 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)

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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. For the year ended, the Wake Partnership was holding amounts withheld from employee paychecks for benefits and insurance payments.
- F. 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 Wake Partnership are deposited with one commercial bank and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Deposits over this amount subjects the Wake Partnership to a concentration of credit risk. At June 30, 2001, the Wake Partnership's bank deposits in excess of the FDIC insured limit was \$1,416,765.

### NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Wake 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 Wake Partnership.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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.

The Wake Partnership was awarded and has received \$16,765,304 under current year Smart Start contracts with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Partnership has returned \$366,636 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 the Wake Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Wake 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:

#### 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, professional development, child care substitutes, provider training, child care provider support, special needs training for child care professionals, and health and safety intervention in child care.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

**Child Care and Education Affordability** - Used to account for service activities including expansion of child care eligibility and scholarship program(s).

**Health and Safety** - Used to account for service activities including dental treatment, comprehensive dental services, vision screenings, comprehensive health support, special needs – early intervention services, and school readiness/developmental screenings.

**Family Support** - Used to account for service activities including mobile family resource center, parenting education, ongoing parent education, general family support, community leadership, family crisis intervention, special needs – family support, information and resources, outreach plan to assess services, and school readiness program.

### B. Support Functions

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

**Program 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.

### C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

**Salaries and Benefits** - Allocated based on employee time reports.

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

**NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)**

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**NOTE 6 - COMMITMENTS AND CONTINGENCIES**

**A. 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>
2002	\$ 106,006
2003	68,096
2004	11,426
2005	<u>2,808</u>
<b>Total Minimum Lease Payments</b>	<b>\$ <u>188,336</u></b>

Total rental expenditure for all operating leases was \$93,961 for the year ended June 30, 2001.

**B. Commitments on Contracts** - The Wake Partnership had outstanding commitments of \$41,006 on cost-reimbursement contracts that had not been paid at June 30, 2001.

**NOTE 7 - PENSION PLAN**

**IRC Section 401(k)** – The Wake Partnership has an IRC Section 401(k) Plan. All costs of administering the Plan are the responsibility of the Plan participants. The Wake Partnership contributed up to 5% of gross wages for the year ended June 30, 2001. Employees may make voluntary contributions to the Plan. For the year ended June 30, 2001, the Wake Partnership contributed \$41,377. The voluntary contributions by employees amounted to \$52,523.

**NOTE 8 - RESTRICTIONS ON NET ASSETS**

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

<u>Purpose</u>	<u>Amount</u>
Wake Children Special Needs Assessment	\$ 5,000
Robinwood Family Resource Center	<u>1,500</u>
	<b>\$ <u>6,500</u></b>

**Wake County SmartStart, Inc.**  
**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
ABC Land	33,490			
Alice Aycock Poe Center for Health Education	133,273			
Apex Enrichment Center	63,262			
ARC of Wake County	7,896			
Brentwood Child Care Center	68,260			
Bunny Brown's Day Care	50,649			
Campus Child Care Center, Inc.	58,464			
Cathy Lee Day Care and Learning Center	25,538			
Child Care Resource and Referral	8,730,241	(63,884)	20,000	
City of Raleigh, Parks and Recreation	12,737	(84)		
Community Partnerships, Inc.	697,620	(5,682)		
Country Sunshine Children's Center	35,920			
Durant Road Preschool	38,188			
Early Explorations Educational Center	30,907			
East Wake Education Foundation	136,136	(1,777)		
Ernest Myatt Children's Development Center	27,244			
Exchange CAP Center	6,289	(1,305)		
Gethsemane SDA Child Care Pre-K	37,848			
Harps Mill Creative School	55,469			
Heather Park Child Development Center	31,252			
Heaven's Light Day Care Center	26,940			
Infant/Toddler Center of First Baptist Church	23,726			
Infants Palace	47,493			
Leslee Lancaster	70,474			
Mariah's Child Preschool Center	31,035			
Method Child Development Center, Inc.	27,553			
Methodist Home for Children	800,000			
Motheread, Inc.	280,115			
NC Preschool Academy and Day Care	43,792			
North Haven Child Development Center	28,153			
Parham's Country Day School	29,063			
Prevent Blindness of NC	138,490			
Raleigh Nursery School, Inc.	43,420	(2,701)		
SafeChild, Inc.	32,515	(1,980)		
Sanderford Road Learning Center	62,078			

**Wake County SmartStart, Inc.**  
**Schedule of Contract and Grant Expenditures - Regulatory Basis**  
**For the Year Ended June 30, 2001**

**Schedule 1**  
**Page 2**

Organization Name	Smart Start Fund		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
Soroptimist International of Raleigh, NC			10,000	
Temple Beth Or Preschool	35,729			
Triangle United Way, Inc.	40,000			
Tuttle Community Center	49,816			
Various Day Care Providers	593,406	(3,100)	12,900	
Volunteer Families for Children of NC, Inc.	59,475	(44)		
Wake County Human Services	811,182	(53,916)	3,775	
Wake County Public School System	777,046	(16,045)		
Wake Technical Community College	46,000	(1,168)		
	<b>14,378,184</b>	<b>(151,686)</b>	<b>46,675</b>	<b>0</b>

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



***Schedule of State Level Service Provider Contracts  
For the Year Ended June 30, 2001***

***Schedule 2***

Organization Name	DHHS Contracts
Child Care Services Association - WAGES Program	1,005,561
Wake County Department of Social Services	3,209,618
	<b>4,215,179</b>
*These organizations are represented on the Partnership's Board as described in Note 4A - 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.	

**Wake County SmartStart, Inc.**

**Schedule of Federal and State Awards - Regulatory Basis  
For the Year Ended June 30, 2001**

**Schedule 3**

Federal/State Grantor/Pass-through Grantor/Program	Federal CFDA Number	Contract #	Receipts	Expenditures
<b>Federal Awards:</b>				
Department of Health and Human Services				
Pass-through from the North Carolina Department of Health and Human Services - Division of Social Services				
Title V - Discretionary Funds	93.597	00449-01	\$ 8,084	\$ 8,084
<b>State Awards:</b>				
North Carolina Department of Health and Human Services				
Division of Social Services				
Responsible Fatherhood Initiative Program		00449-01	898	898
Division of Child Development				
Pass-through from the North Carolina Partnership for Children, Inc.				
Early Childhood Initiatives Program (Prior Years)	*	Various	(946,047)	4
Early Childhood Initiatives Program (Current Year)	*	1-01-9-09-001	16,285,548	15,932,663
Early Childhood Initiatives Program (Encumbrances)	*	1-01-3-09-001E	479,756	466,006
Multi-County Accounting and Contracting Grant		N/A	12,000	12,000
<b>Total State Awards</b>			<u>15,832,155</u>	<u>16,411,571</u>
<b>Total Federal and State Awards</b>			<u>\$ 15,840,239</u>	<u>\$ 16,419,655</u>
*Programs with compliance requirements that have a direct and material effect on the financial statement.				

<i>Wake County SmartStart, Inc.</i>			
<i>Schedule of Property and Equipment</i>			
<i>For the Year Ended June 30, 2001</i>			<i>Schedule 4</i>
	Furniture and Non-Computer Equipment	\$	68,164
	Computer Equipment/Printers		112,090
	Leasehold Improvements		30,347
	<b>Total Property and Equipment</b>	<b>\$</b>	<b>210,601</b>
	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.		

<i>Wake County SmartStart, Inc.</i>			
<i>Schedule of Qualifying Match (Non-GAAP)</i>			
<i>For the Year Ended June 30, 2001</i>			<i>Schedule 5</i>
<i>Match Provided at the Partnership Level:</i>			
Cash		\$	56,414
In-Kind Goods and Services			231,360
		\$	<u>287,773</u>
<i>Match Provided at the Contractor Level:</i>			
Cash		\$	2,440,935
In-Kind Goods and Services			1,006,337
		\$	<u>3,447,272</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 generally accepted accounting principles.		

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Ralph Campbell, Jr.  
State Auditor

STATE OF NORTH CAROLINA  
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**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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Board of Directors  
Wake County SmartStart  
Raleigh, North Carolina

We have audited the financial statements of the Wake County SmartStart (Wake Partnership) as of and for the year ended June 30, 2001, and have issued our report thereon dated December 14, 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 Wake 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 Wake 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 operation of one or more of the internal control components does not reduce to a

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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.



Ralph Campbell, Jr.  
State Auditor

December 14, 2001

## 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.

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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

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## **DISTRIBUTION OF AUDIT REPORT (CONCLUDED)**

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### **Other Legislative Officials**

Representative Philip A. Baddour, Jr.  
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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

March 25, 2002

## **ORDERING INFORMATION**

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Copies of this report may be obtained by contacting the:

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