

**FINANCIAL STATEMENT AUDIT REPORT OF
ANSON COUNTY PARTNERSHIP FOR CHILDREN
WADESBORO, 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

ANSON COUNTY PARTNERSHIP FOR CHILDREN

WADESBORO, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2001

BOARD OF DIRECTORS

PRISCILLA DURKIN, CHAIRPERSON

ADMINISTRATIVE OFFICER

ELAINE B. SCARBOROUGH, EXECUTIVE DIRECTOR



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, Anson County Partnership for Children

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

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Anson County Partnership for Children
Wadesboro, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis of the Anson County Partnership for Children (Anson 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 Anson 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 Anson 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 March 27, 2002, on our consideration of the Anson 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.

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

March 27, 2002

Crisp Hughes Evans LLP

Anson County Partnership for Children, Inc.

***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 \$30,974)	\$ 1,089,421	\$ 215,058	\$ 21,112	\$ 1,325,591
Private Contributions	-	47,811	25,000	72,811
Special Fund Raising Events	-	131	-	131
Interest and Investment Earnings	-	6,462	-	6,462
Sales Tax Refunds	-	8,701	-	8,701
Other Receipts	143	83,371	-	83,514
Total Receipts	1,089,564	361,534	46,112	1,497,210
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	-	24,518	(24,518)	-
	<u>1,089,564</u>	<u>386,052</u>	<u>21,594</u>	<u>1,497,210</u>
Expenditures:				
Programs:				
Child Care and Education Quality	386,197	2,085	-	388,282
Child Care and Education Affordability	241,740	-	-	241,740
Health and Safety	87,394	10,103	-	97,497
Family Support	281,903	173,190	-	455,093
Support our Students	-	65,000	-	65,000
Support:				
Management and General	121,573	95,925	-	217,498
Program Coordination	-	26,836	-	26,836
Other:				
Sales Tax Paid	-	20,292	-	20,292
Total Expenditures	1,118,807	393,431	-	1,512,238
Excess of Receipts Over (Under) Expenditures	(29,243)	(7,379)	21,594	(15,028)
Net Assets at Beginning of Year	31,855	1,991	29,753	63,599
Net Assets at End of Year	\$ 2,612	\$ (5,388)	\$ 51,347	\$ 48,571
Net Assets Consisted of:				
Cash on Deposit	\$ 1,863	\$ (5,243)	\$ 51,347	\$ 47,967
Refunds Due From Contractors	1,588	-	-	1,588
	<u>3,451</u>	<u>(5,243)</u>	<u>51,347</u>	<u>49,555</u>
Less: Funds Held for Others	(839)	(145)	-	(984)
	<u>\$ 2,612</u>	<u>\$ (5,388)</u>	<u>\$ 51,347</u>	<u>\$ 48,571</u>

The accompanying notes are an integral part of these statements.

Anson County Partnership for Children, Inc.
Statement of Functional Expenditures - Regulatory Basis
For the Year Ended June 30, 2001

Exhibit B

	Total	Personnel	Contracted Services	Supplies and Materials	Other Operating	Fixed Charges and Other	Property and Equipment Outlay	Services/ Contracts/ Grants	Participant Training
Smart Start Fund:									
Programs:									
Child Care and Education Quality	\$ 386,197	\$ 110,248	\$ 9,367	\$ 23,363	\$ 35,126	\$ 7,906	\$ -	\$ 200,104	\$ 83
Child Care and Education Affordability	241,740	-	552	-	-	-	-	241,188	-
Health and Safety	87,394	-	6,993	3,806	2,104	-	-	74,491	-
Family Support	281,903	94,850	11,410	50,892	14,680	6,237	4,034	100,000	-
Support:									
Management and General	121,573	93,709	2,367	4,908	12,155	7,216	1,218	-	-
Total Smart Start Fund Expenditures	\$1,118,807	\$ 298,607	\$ 30,689	\$ 82,969	\$ 64,065	\$ 21,359	\$ 5,252	\$ 615,783	\$ 83
Other Funds:									
Programs:									
Child Care and Education Quality	\$ 2,085	\$ -	\$ 24	\$ 643	\$ 798	\$ -	\$ -	\$ 620	\$ -
Health and Safety	10,103	-	7,324	1,314	1,465	-	-	-	-
Family Support	173,190	76,790	2,158	35,462	35,955	13,713	1,245	7,867	-
Support our Students	65,000	-	-	-	-	-	-	65,000	-
Support:									
Management and General	95,925	77,036	1,837	2,921	8,565	3,675	1,891	-	-
Program Coordination	26,836	25,923	-	58	800	57	-	-	-
Other:									
Sales Tax Paid	20,292	-	-	20,292	-	-	-	-	-
Total Other Funds Expenditures	\$ 393,431	\$ 179,749	\$ 11,343	\$ 60,688	\$ 47,583	\$ 17,445	\$ 3,136	\$ 73,487	\$ -

The accompanying notes are an integral part of these statements.

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose - The Anson County Partnership for Children (Anson Partnership) is a legally separate nonprofit organization incorporated on June 21, 1995. The Anson Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Anson 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 Anson 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 Anson 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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 Anson Partnership was holding amounts withheld from employee paychecks for distribution to taxing authorities.
- 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 Anson 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 Anson Partnership to a concentration of credit risk. The Anson Partnership has an Automated Investment Plan to invest excess balances over an established target amount. The investment is in the bank's securities and is not insured by the FDIC. At June 30, 2001, the Anson Partnership's bank deposits in excess of the FDIC insured limit was \$178,918.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Anson 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 Anson Partnership. These

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

service provider contracts are not reflected on the accompanying financial statements. However, a summary of the service provider contracts entered into by DHHS are presented on Schedule 2 accompanying the financial statements.

The Anson Partnership was awarded and has received \$1,120,395 under current year Smart Start contracts with NCPC. The unexpended balance of these contracts is subject to reversion to the State. The Partnership has returned \$1,588 of these contracts 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.

Support Our Students Program (SOS) - The Anson Partnership also received revenue and support from the State of North Carolina based on a cost-reimbursement contract with North Carolina Office of Juvenile Justice for the Support our Students Program.

The Anson Partnership was awarded \$65,004 under a current year SOS contract with the North Carolina Office of Juvenile Justice. The Partnership expects to receive continued funding through new SOS Program contracts with the State.

Adolescent Parenting Program - The Anson Partnership also received revenue and support from the State of North Carolina based on a cost-reimbursement contract with DHHS for the Adolescent Parenting Program.

The Anson Partnership was awarded \$59,166 under a current year Adolescent Parenting contract with DHHS. The Partnership expects to receive continued funding through new Adolescent Parenting Program contracts with the State.

Teen Pregnancy Prevention - The Anson Partnership also received revenue and support from the State of North Carolina based on a cost-reimbursement contract with DHHS for the Teen Pregnancy Prevention Program.

The Anson Partnership was awarded \$100,000 under a current year Teen Pregnancy Prevention contract with DHHS. The Partnership expects to receive continued funding through new Teen Pregnancy Prevention Program contracts with the State.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 - RELATED PARTY TRANSACTIONS

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

A. Program Functions

Child Care and Education Quality - Used to account for service activities including quality enhancement grants, comprehensive child care resource and referral, salary supplements, and resources and materials.

Child Care and Education Affordability - Used to account for service activities including eliminate waiting list, Head Start summer program, and information and resources.

Health and Safety - Used to account for service activities including vision screenings, comprehensive screenings, comprehensive health services, outreach nurses, and special needs - specialized therapy.

Family Support - Used to account for service activities including parenting education, teen parent/child program, literacy projects, outreach materials, information and resources, and community playgrounds.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Support Our Students - Used to account for service activities including the providing of high quality after-school activities for school-aged children.

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

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:

Other Costs - Other costs including occupancy cost (rent) and communication costs (telephone) were allocated based on estimates of utilization.

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	\$ 32,125	\$ 1,092
2003	15,625	1,092
2004	17,125	455
2005	<u>10,500</u>	<u>-</u>
Total Minimum Lease Payments	<u>\$ 88,000</u>	<u>\$ 2,639</u>

Total rental expenditure for all operating leases was \$30,875 for the year ended June 30, 2001.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

NOTE 7 - PENSION PLAN

IRC Section 403(b) - All permanent employees who are at least half time can participate in a tax sheltered annuity plan created under Internal Revenue Code Section 403(b). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and state income taxes until the annuity is received or the contributions are withdrawn. All costs of administering and funding this plan are the responsibility of the plan. No costs are incurred by the Anson Partnership. The voluntary contributions by employees amounted to \$15,595 during the year ended June 30, 2001.

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
Support Our Students	\$ 8
Teen Pregnancy Prevention Program	13,544
Head Start Project	25,000
Occupational Therapist Services	288
Resource Development Program	6,319
Anson Children's Center	910
Adolescent Parenting Program	5,278
	\$ 51,347

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
Adolescent Pregnancy Prevention Program	\$ 10,968
Walls To Climb	625
Occupational Therapist Services	5,585
Resource Development Program	7,340
	\$ 24,518

Anson County Partnership for Children, 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
Union County Community Action, Inc.	\$ 241,188	\$ -	\$ -	\$ -
Anson County Health Department	76,000	(1,588)	-	-
South Piedmont Community College	5,000	-	-	-
Anson Childrens Center	5,573	-	-	-
Faison Head Start	11,425	-	-	-
Happy Days	19,370	-	-	-
Kids Express	24,023	-	160	-
Kids Inc.	16,415	-	-	-
Noahs Ark	21,568	-	-	-
Rocking Horse	20,424	-	-	-
Peachland	10,000	-	-	-
Town of Wadesboro	30,000	-	-	-
Little Park	60,000	-	1,740	-
Anson County Schools	-	-	65,000	-
ACTS	78	-	6,127	-
Individuals:				
Salary Supplements	26,050	-	460	-
Quality Grants	49,672	-	-	-
Professional Development Scholarships	585	-	-	-
	\$ 617,371	\$ (1,588)	\$ 73,487	\$ -

* 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.

Anson County Partnership for Children, Inc.
Schedule of State Level Service Provider Contracts
For the Year Ended June 30, 2001

Schedule 2

Organization Name	DHHS Contracts
Anson County Department of Social Services	* \$ 227,452

* 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.

***Anson County Partnership for Children, Inc.
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)	* 1-90-4-01-001	\$ (30,974)	\$ -
Early Childhood Initiatives Program (Current Year)	* 1-01-4-01-001	1,109,168	1,107,580
Early Childhood Initiatives Program (Encumbrance)	* 1-01-4-01-001E	11,227	11,227
Multi-County Accounting and Contracting Grant	N/A	12,000	12,000
Adolescent Parenting	0-5159-001	59,166	50,867
Teen Pregnancy Prevention	1-5158-018	100,000	87,187
North Carolina Department of Juvenile Justice			
Support our Students	N/A	<u>65,004</u>	<u>65,000</u>
Total State Awards		<u>\$ 1,325,591</u>	<u>\$ 1,333,861</u>

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

See Independent Auditors' Report.

Anson County Partnership for Children, Inc.
Schedule of Property and Equipment
For the Year Ended June 30, 2001

Schedule 4

Furniture and Non-Computer Equipment	\$	30,665
Computer Equipment/Printers		41,263
Leasehold Improvements		<u>51,714</u>
Total Property and Equipment	\$	<u>123,642</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.

***Anson County Partnership for Children, Inc.
Schedule of Qualifying Match (Non-GAAP)
For the Year Ended June 30, 2001***

Schedule 5

Match Provided at the Partnership Level:

Cash	\$ 72,811
In-Kind Goods and Services	<u>30,348</u>
	<u>\$ 103,159</u>

Match Provided at the Contractor Level:

Cash	<u>\$ 94,715</u>
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Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 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
Anson County Partnership for Children
Wadesboro, North Carolina

We have audited the financial statements of the Anson County Partnership for Children (Anson Partnership) as of and for the year ended June 30, 2001, and have issued our report thereon dated March 27, 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 Anson 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 Anson 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.

March 27, 2002

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
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

Ms. Karen Ponder

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.

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