



STATE OF NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT OF ONslow COUNTY PARTNERSHIP FOR CHILDREN, INC.

JACKSONVILLE, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2001

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

**FINANCIAL STATEMENT AUDIT REPORT OF
ONslow COUNTY PARTNERSHIP FOR CHILDREN, INC.**

JACKSONVILLE, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2001

BOARD OF DIRECTORS

SHARON MCGINNIS, CHAIRMAN

ADMINISTRATIVE OFFICER

DAWN ROCHELLE, EXECUTIVE DIRECTOR



Ralph Campbell, Jr.
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

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AUDITOR'S TRANSMITTAL

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

This report presents the results of our financial statement audit of the Onslow County Partnership for Children, Inc. (Onslow 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 Onslow 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 Onslow 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 Onslow Partnership is one of these local partnerships. As such, the Onslow 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)

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 Onslow 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*.

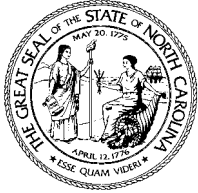
North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.



Ralph Campbell, Jr.
State Auditor

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Ralph Campbell, Jr.
State Auditor

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Onslow County Partnership for Children, Inc.
Jacksonville, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis of the Onslow County Partnership for Children, Inc. (Onslow 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 Onslow 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 Onslow County Partnership for Children, Inc. 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 October 5, 2001 on our consideration of the Onslow 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

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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 Onslow County Partnership for Children, Inc. 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

October 5, 2001

Onslow 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 \$541,709)	\$ 2,689,798	\$ 0	\$ 0	\$ 2,689,798
Federal Awards (less refunds of \$1,902)		38,881		38,881
Local Awards		1,071		1,071
Private Contributions		10,470	5,150	15,620
Special Fund Raising Events		50		50
Interest and Investment Earnings		29,755		29,755
Sales Tax Refunds		64,868		64,868
Other Receipts	7,770	27,140		34,910
Total Receipts	2,697,568	172,235	5,150	2,874,953
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions		437	(437)	
Expiration of Time Restrictions		1,902	(1,902)	
	2,697,568	174,574	2,811	2,874,953
Expenditures:				
Programs:				
Child Care and Education Quality	1,704,759	68,862		1,773,621
Child Care and Education Accessibility and Availability	177,511			177,511
Health and Safety	425,006			425,006
Family Support	295,815			295,815
Support:				
Management and General	364,645	25,071		389,716
Program Evaluation	118,097	3,429		121,526
Other:				
Sales Tax Paid		43,825		43,825
Total Expenditures	3,085,833	141,187		3,227,020
Excess of Receipts Over Expenditures	(388,265)	33,387	2,811	(352,067)
Net Assets at Beginning of Year	541,924	(40,040)	2,339	504,223
Net Assets at End of Year	\$ 153,659	\$ (6,653)	\$ 5,150	\$ 152,156
Net Assets Consisted of:				
Petty Cash	\$ 0	\$ 150	\$ 0	\$ 150
Cash on Deposit	115,170	(6,803)	5,150	113,517
Refunds Due From Contractors	38,489			38,489
	\$ 153,659	\$ (6,653)	\$ 5,150	\$ 152,156

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

Onslow County Partnership for Children, 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
Smart Start Fund:									
Programs:									
Child Care and Education Quality	1,704,759	184,961	194,994	44,016	61,555	42,610	37,293	1,138,288	1,042
Child Care and Education Accessibility and Availability	177,511	11,438	53	11,668	3,487	2,524	125	147,291	925
Health and Safety	425,006							425,006	
Family Support	295,815	7,278		5,915	19,690	454	413	262,065	
	2,603,091	203,677	195,047	61,599	84,732	45,588	37,831	1,972,650	1,967
Support:									
Management and General	364,645	152,294	51,081	19,491	75,447	26,892	39,440		
Program Evaluation	118,097	59,394	28,431	2,406	20,839	4,793	2,234		
	482,742	211,688	79,512	21,897	96,286	31,685	41,674	0	0
Total Smart Start Fund Expenditures	3,085,833	415,365	274,559	83,496	181,018	77,273	79,505	1,972,650	1,967
Other Funds:									
Programs:									
Child Care and Education Quality	68,862	39,251	7,350	10,445	1,055	10,761	0	0	0
Support:									
Management and General	25,071	24,000					1,071		
Program Evaluation	3,429			2,260	1,412		(243)		
	28,500	24,000	0	2,260	1,412	0	828	0	0
Other:									
Sales Tax Paid	43,825	0	0	43,825	0	0	0	0	0
Total Other Funds Expenditures	141,187	63,251	7,350	56,530	2,467	10,761	828	0	0

ONSTLOW COUNTY PARTNERSHIP FOR CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose - The Onslow County Partnership for Children, Inc. (Onslow Partnership) is a legally separate nonprofit organization incorporated on June 26, 1998. The Onslow Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Onslow 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 Onslow 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 Onslow 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)

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 Onslow 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 Onslow Partnership to a concentration of credit risk.

The Onslow Partnership has an Automated Investment Plan to invest excess balances over an established target amount. The investment is in the bank's commercial paper securities and is not insured by the FDIC. Consequently, the Onslow Partnership bank deposits in excess of the FDIC insured limit totaled \$506,332 at June 30, 2001.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Onslow 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 Onslow Partnership. These service provider contracts are not reflected on the accompanying financial statement. However, a summary of the service provider contracts

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

The Onslow Partnership was awarded and has received \$3,223,340 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 \$145,675 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

A. Service Provider Contracts with Board Member Organizations - The board members of the Onslow Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Onslow Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Partnership entered into contracts with board member organizations for program activities as identified on Schedule 1 accompanying the financial statements. In addition, Schedule 2 identifies contracts entered into by DHHS with board member organizations for activities funded by the Partnership's Smart Start Allocation.

B. Other Related Parties - The Onslow Partnership contracted with a relative of an employee of the Partnership to perform services. The amounts paid included:

<u>Expenditures</u>	<u>Amount</u>
Consulting and Support Services	<u>\$ 25,847</u>

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, early education enhancement programs, child care resource and referral, child care substitutes, provider training, and health and safety intervention in child care.

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

Health and Safety - Used to account for service activities including immunization support, prenatal/newborn services, outreach nurses, and comprehensive health support.

Family Support - Used to account for service activities including parenting education, teen parent/child programs, community leadership, family crisis intervention, and Motherhead.

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.

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, communication costs (telephone and printing) were allocated based on estimates of utilization or utilization data.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 - COMMITMENTS AND CONTINGENCIES

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	\$ 47,256
2003	46,356
2004	46,356
2005	<u>20,210</u>
Total Minimum Lease Payments	<u>\$ 160,178</u>

Total rental expenditure for all operating leases was \$46,470 for the year ended June 30, 2001.

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 Onslow Partnership. The voluntary contributions by employees amounted to \$2,725 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:

<u>Purpose</u>	<u>Amount</u>
Child Care Quality Enhancement	<u>\$ 5,150</u>

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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:

<u>Purpose</u>	<u>Amount</u>
Child Care Resource and Referral	\$ 1,902
Public Education Campaign	<u>437</u>
	<u>\$ 2,339</u>

Onslow 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 \$541,709)	\$ 2,689,798	\$ 0	\$ 0	\$ 2,689,798
Federal Awards (less refunds of \$1,902)		38,881		38,881
Local Awards		1,071		1,071
Private Contributions		10,470	5,150	15,620
Special Fund Raising Events		50		50
Interest and Investment Earnings		29,755		29,755
Sales Tax Refunds		64,868		64,868
Other Receipts	7,770	27,140		34,910
Total Receipts	2,697,568	172,235	5,150	2,874,953
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions		437	(437)	
Expiration of Time Restrictions		1,902	(1,902)	
	2,697,568	174,574	2,811	2,874,953
Expenditures:				
Programs:				
Child Care and Education Quality	1,704,759	68,862		1,773,621
Child Care and Education Accessibility and Availability	177,511			177,511
Health and Safety	425,006			425,006
Family Support	295,815			295,815
Support:				
Management and General	364,645	25,071		389,716
Program Evaluation	118,097	3,429		121,526
Other:				
Sales Tax Paid		43,825		43,825
Total Expenditures	3,085,833	141,187		3,227,020
Excess of Receipts Over Expenditures	(388,265)	33,387	2,811	(352,067)
Net Assets at Beginning of Year	541,924	(40,040)	2,339	504,223
Net Assets at End of Year	\$ 153,659	\$ (6,653)	\$ 5,150	\$ 152,156
Net Assets Consisted of:				
Petty Cash	\$ 0	\$ 150	\$ 0	\$ 150
Cash on Deposit	115,170	(6,803)	5,150	113,517
Refunds Due From Contractors	38,489			38,489
	\$ 153,659	\$ (6,653)	\$ 5,150	\$ 152,156

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

Onslow 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
Brookwood Baptist Church	*	53,435		
Child & Family Learning Center		69,324		
Coastal Carolina Community College	*	167,344		(7,800)
North Carolina Cooperative Extension	*	17,626		(636)
Onslow County Behavioral Health Services	*	25,203		(671)
Onslow County Department of Social Services	*	208,934		(2,466)
Onslow County Health Department		465,252		(20,303)
Onslow County Public Library	*	73,428		(4,735)
P.E.E.R. Developmental Center	*	37,068		(1,416)
Sickle Cell Disease Association		10,993		(462)
		1,128,607	(38,489)	0
Individuals:				
Quality Enhancement Grants		586,932		
Salary Supplement Program		295,600		
		882,532	0	0
		2,011,139	(38,489)	0

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

Onslow 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
Child Care Services Association - WAGES	67,580
Onslow County Department of Social Services	2,079,533
	2,147,113
<p>*These organizations are represented on the Partnership's Board as described in Note 4A - Service Provider Contracts with Board Member Organizations.</p>	
<p>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.</p>	

Onslow County Partnership for Children, 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
Federal Awards:				
Department of Health and Human Services				
Pass-through from the North Carolina Department of Health and Human Services - Division of Child Development				
Child Care and Development Block Grant	93.575	5750	\$ (1,902)	\$ 0
Child Care and Development Block Grant	93.575	5869	40,783	40,783
Total Federal Awards			38,881	40,783
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)		* 1-90-5-22-001	(541,709)	
Early Childhood Initiatives Program (Current Year)		* 1-01-5-22-001	3,223,340	3,077,666
Early Childhood Initiatives Program (Encumbrance)		1-01-5-22-001E	8,167	8,167
Total State Awards			2,689,798	3,085,833
Total Federal and State Awards			\$ 2,728,679	\$ 3,126,616
*Programs with compliance requirements that have a direct and material effect on the financial statement.				

Onslow County Partnership for Children, Inc.

Schedule of Property and Equipment

For the Year Ended June 30, 2001

Schedule 4

Furniture and Non-Computer Equipment	\$	25,336
Computer Equipment/Printers		88,217
Leasehold Improvements		18,170
Total Property and Equipment	\$	131,723

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.

***Onslow 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:

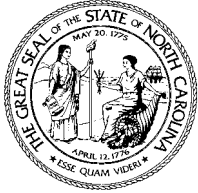
Cash	\$ 15,000
In-Kind Goods and Services	95,065
	<u>\$ 110,065</u>

Match Provided at the Contractor Level:

Cash	\$ 580,695
In-Kind Goods and Services	102,225
	<u>\$ 682,920</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.
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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**

Board of Directors
Onslow County Partnership for Children, Inc.
Jacksonville, North Carolina

We have audited the financial statements of the Onslow County Partnership for Children, Inc. (Onslow Partnership) as of and for the year ended June 30, 2001, and have issued our report thereon dated October 5, 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 Onslow 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 Onslow 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

**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 (CONCLUDED)**

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

October 5, 2001

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February 15, 2002

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