

**FINANCIAL STATEMENT AUDIT REPORT OF  
ANSON COUNTY PARTNERSHIP FOR CHILDREN  
WADESBORO, NORTH CAROLINA  
FOR THE YEAR ENDED JUNE 30, 2002**

**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, 2002**

**BOARD OF DIRECTORS**

**PRISCILLA DURKIN, CHAIRPERSON**

**ADMINISTRATIVE OFFICER**

**ELAINE B. SCARBOROUGH, EXECUTIVE DIRECTOR**



Ralph Campbell, Jr.  
State Auditor

STATE OF NORTH CAROLINA  
**Office of the State  
Auditor**

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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, 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, 2002. 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

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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, 2002, 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 statements are 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, 2002, and the results of its operations for the year then ended, on the basis of accounting described in Note 1.

## INDEPENDENT AUDITORS' REPORT (CONCLUDED)

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In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2003 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 auditors' report in considering the results of our audit.

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

April 10, 2003

*Crisp Hughes Evans LLP*

**ANSON COUNTY PARTNERSHIP FOR CHILDREN****STATEMENT OF RECEIPTS, EXPENDITURES, AND NET ASSETS--REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2002****EXHIBIT A**

	<b>Unrestricted Funds</b>		<b>Temporarily</b>	
	<b>Smart Start</b>	<b>Other</b>	<b>Restricted</b>	<b>Total</b>
	<b>Fund</b>	<b>Funds</b>	<b>Funds</b>	<b>Funds</b>
<b>Receipts:</b>				
State Awards (Less Refunds of \$2,612)	\$ 801,929	\$ 176,963	\$ 4,140	\$ 983,032
Private Contributions	-	56,736	-	56,736
Special Fund Raising Events	-	5,649	-	5,649
Interest and Investment Earnings	-	1,610	-	1,610
Sales Tax Refunds	-	26,780	-	26,780
Other Receipts	<u>2,086</u>	<u>49,534</u>	<u>-</u>	<u>51,620</u>
<b>Total Receipts</b>	<b>804,015</b>	<b>317,272</b>	<b>4,140</b>	<b>1,125,427</b>
 Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	<u>-</u>	<u>44,863</u>	<u>(44,863)</u>	<u>-</u>
	<u>804,015</u>	<u>362,135</u>	<u>(40,723)</u>	<u>1,125,427</u>
<b>Expenditures:</b>				
Programs:				
Child Care and Education Quality	265,768	7,052	-	272,820
Child Care and Education Affordability	160,438	70,500	-	230,938
Health and Safety	57,655	389	-	58,044
Family Support	183,792	129,656	-	313,448
Support Our Students	-	64,996	-	64,996
Support:				
Management and General	128,398	75,443	-	203,841
Program Evaluation	8,234	5,586	-	13,820
Other:				
Sales Tax Paid	<u>-</u>	<u>12,416</u>	<u>-</u>	<u>12,416</u>
<b>Total Expenditures</b>	<b>804,285</b>	<b>366,038</b>	<b>-</b>	<b>1,170,323</b>
<b>Deficiency of Receipts Over Expenditures</b>	<b>(270)</b>	<b>(3,903)</b>	<b>(40,723)</b>	<b>(44,896)</b>
<b>Net Assets at Beginning of Year</b>	<b><u>2,612</u></b>	<b><u>(5,388)</u></b>	<b><u>51,347</u></b>	<b><u>48,571</u></b>
<b>Net Assets at End of Year</b>	<b>\$ <u>2,342</u></b>	<b>\$ <u>(9,291)</u></b>	<b>\$ <u>10,624</u></b>	<b>\$ <u>3,675</u></b>
<b>Net Assets Consisted of:</b>				
Cash and Cash Equivalents	\$ 2,925	\$ (9,146)	\$ 10,624	\$ 4,403
Refunds Due from Contractors	<u>256</u>	<u>-</u>	<u>-</u>	<u>256</u>
	3,181	(9,146)	10,624	4,659
Less: Funds Held for Others	<u>(839)</u>	<u>(145)</u>	<u>-</u>	<u>(984)</u>
	<u>\$ 2,342</u>	<u>\$ (9,291)</u>	<u>\$ 10,624</u>	<u>\$ 3,675</u>

The accompanying notes are an integral part of these statements.

**ANSON COUNTY PARTNERSHIP FOR CHILDREN  
STATEMENT OF FUNCTIONAL EXPENDITURES--REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2002**

**EXHIBIT B**

	Total	Personnel	Contracted Services	Supplies and Materials	Other Operating	Fixed Charges and Other	Property and Equipment Outlay	Services/ Contracts/ Grants
<b>Smart Start Fund:</b>								
<b>Programs:</b>								
Child Care and Education Quality	\$ 265,768	\$ 125,592	\$ 3,786	\$ 27,555	\$ 34,432	\$ 9,836	\$ 7,440	\$ 57,127
Child Care and Education Affordability	160,438	-	-	-	-	-	-	160,438
Health and Safety	57,655	-	-	1,544	458	-	-	55,653
Family Support	183,792	144,667	1,336	13,640	13,170	9,287	-	1,692
<b>Support:</b>								
Management and General	128,398	99,645	1,888	4,575	13,392	8,459	439	-
Program Evaluation	8,234	3,486	4,405	198	145	-	-	-
<b>Total Smart Start Fund Expenditures</b>	<b>\$ 804,285</b>	<b>\$ 373,390</b>	<b>\$ 11,415</b>	<b>\$ 47,512</b>	<b>\$ 61,597</b>	<b>\$ 27,582</b>	<b>\$ 7,879</b>	<b>\$ 274,910</b>
<b>Other Funds:</b>								
<b>Programs:</b>								
Child Care and Education Quality	\$ 7,052	\$ -	\$ 555	\$ -	\$ 6,497	\$ -	\$ -	\$ -
Child Care and Education Affordability	70,500	-	-	-	-	-	-	70,500
Health and Safety	389	-	-	63	326	-	-	-
Family Support	129,656	62,142	2,948	17,315	26,650	12,936	2,822	4,843
Support Our Students	64,996	-	-	-	-	-	-	64,996
<b>Support:</b>								
Management and General	75,443	58,889	6,598	2,053	4,894	3,009	-	-
Program Evaluation	5,586	5,586	-	-	-	-	-	-
<b>Other:</b>								
Sales Tax Paid	12,416	-	-	12,416	-	-	-	-
<b>Total Other Funds Expenditures</b>	<b>\$ 366,038</b>	<b>\$ 126,617</b>	<b>\$ 10,101</b>	<b>\$ 31,847</b>	<b>\$ 38,367</b>	<b>\$ 15,945</b>	<b>\$ 2,822</b>	<b>\$ 140,339</b>

The accompanying notes are an integral part of these statements.



**ANSON COUNTY PARTNERSHIP FOR CHILDREN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

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**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, 2002.

- C. Basis of Accounting** - The accompanying financial statements were prepared on the regulatory basis of accounting as prescribed by the North Carolina Partnership for Children, Inc. This basis differs from accounting principles generally accepted in the United States of America primarily because it recognizes long lived assets and other costs which benefit more than one period as expended in the year purchased; it recognizes revenue when received rather than when earned; and it recognizes expenditures when paid rather than when incurred.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 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, 2002, the Anson Partnership's bank deposits in excess of the FDIC insured limit were \$25,049.

### 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, NCPC and the Department of Health and Human Services (DHHS) entered into contracts with

## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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and made payments to service providers selected by the Anson Partnership. These service provider contracts are not reflected on the accompanying financial statements. However, a summary of the service provider contracts entered into by NCPC and DHHS are presented on Schedule 2 accompanying the financial statements.

The Anson Partnership was awarded and has received \$804,541 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 \$256 of these contracts to the State based on financial status reports submitted to NCPC subsequent to June 30, 2002.

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.

### 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

## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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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 child care resource and referral, professional development, salary supplements, and learning materials and teaching aids.

**Child Care and Education Affordability** - Used to account for service activities including head start wraparound and head start classrooms.

**Health and Safety** - Used to account for service activities including comprehensive screenings, prenatal/newborn services and child care health consultants/outreach nurses.

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

**Support Our Students** - Used to account for service activities including providing 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 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:

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

## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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### NOTE 6 - 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 \$11,351 during the year ended June 30, 2002.

Also, for the year ended June 30, 2002, the Anson Partnership provided an 8% matching contribution on each participating employee's salary. The Partnership contributed \$22,732 for pension benefits during the year.

### NOTE 7 - RESTRICTIONS ON NET ASSETS

**A. Temporarily Restricted Net Assets** - Temporarily restricted net assets at June 30, 2002, are available for the following purposes:

Purpose	Amount
Support Our Students	\$ 16
Occupational Therapist Services	288
Anson Children's Center	910
Adolescent Parenting Program	9,410
	<u>\$ 10,624</u>

**B. Net Assets Released From Donor Restrictions** - Net assets were released from donor restrictions during the fiscal year ended June 30, 2002, by incurring expenditures satisfying the restricted purposes as follows:

Purpose	Amount
Head Start Project	\$ 25,000
Teen Pregnancy Prevention Program	13,544
Resource Development Program	6,319
	<u>\$ 44,863</u>

**ANSON COUNTY PARTNERSHIP FOR CHILDREN  
SCHEDULE OF CONTRACT AND GRANT EXPENDITURES--REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2002**

**SCHEDULE 1**

Organization Name	Smart Start Fund		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
ACTS	\$ 1,692	\$ -	\$ 4,843	\$ -
Anson County Health Department	* 55,909	(256)	-	-
Anson County Schools	* -	-	64,996	-
Provident Benevolent Foundation	-	-	25,000	-
South Piedmont Community College	* 5,000	-	-	-
Union County Community Action, Inc.	* 160,438	-	45,500	-
<b>Individuals:</b>				
CCP Training Incentives--Group	17,045	-	-	-
CCP Training Incentives--Gwendolyn Ramseur	* 545	-	-	-
Professional Development Scholarships-- Johnie Pettiford	* 93	-	-	-
Professional Development Scholarships--Group	3,409	-	-	-
Salary Supplements--Group	30,435	-	-	-
Salary Supplements--Gwendolyn Ramseur	* 300	-	-	-
Salary Supplements--Johnie Pettiford	* 300	-	-	-
	<b>\$ 275,166</b>	<b>\$ (256)</b>	<b>\$ 140,339</b>	<b>\$ -</b>

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

See Independent Auditors' Report.

**ANSON COUNTY PARTNERSHIP FOR CHILDREN  
SCHEDULE OF STATE LEVEL SERVICE PROVIDER CONTRACTS  
FOR THE YEAR ENDED JUNE 30, 2002**

**SCHEDULE 2**

<b>Organization Name</b>		<b>DHHS Contracts</b>	<b>NCPC Contracts</b>	<b>Total Contracts</b>
Anson County Department of Social Services	*	\$ 168,135	\$ -	\$ 168,135
National Society to Prevent Blindness--NC		-	17,600	17,600
		<b>\$ 168,135</b>	<b>\$ 17,600</b>	<b>\$ 185,735</b>

- \* This organization is 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 either the Department of Health and Human Services (DHHS) or the North Carolina Partnership for Children, Inc. (NCPC) as described in Note 3 - Funding From Grant Awards.

See Independent Auditors' Report.

**ANSON COUNTY PARTNERSHIP FOR CHILDREN  
SCHEDULE OF STATE AWARDS--REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2002**

**SCHEDULE 3**

<u>State Grantor/Pass-through Grantor/Program</u>	<u>Contract #</u>	<u>Receipts</u>	<u>Expenditures</u>
<b>State Awards:</b>			
North Carolina Department of Health and Human Services:			
Division of Child Development:			
Pass-through from the North Carolina Partnership for Children, Inc.:			
Early Childhood Initiatives Program (other prior years)	* Various	\$ (1,024)	\$ -
Early Childhood Initiatives Program (prior year)	* 1-01-4-01-001	(1,588)	-
Early Childhood Initiatives Program (current year)	* 1-12-4-01-001	804,541	804,285
Multi-County Accounting and Contract Grant	-	12,000	12,000
Division of Public Health:			
Adolescent Parenting	00326-02	55,828	51,696
Teen Pregnancy Prevention	00325-02	48,271	65,240
North Carolina Department of Juvenile Justice:			
Support Our Students	-	<u>65,004</u>	<u>64,996</u>
<b>Total State Awards</b>		<b>\$ <u>983,032</u></b>	<b>\$ <u>998,217</u></b>

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

See Independent Auditors' Report.



**ANSON COUNTY PARTNERSHIP FOR CHILDREN  
SCHEDULE OF PROPERTY AND EQUIPMENT  
FOR THE YEAR ENDED JUNE 30, 2002**

**SCHEDULE 4**

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Furniture and Non-Computer Equipment	\$ 33,859
Computer Equipment/Printers	46,225
Leasehold Improvements	<u>51,714</u>
 Total Property and Equipment	 \$ <u>131,798</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  
SCHEDULE OF QUALIFYING MATCH (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2002**

**SCHEDULE 5**

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***Match Provided at the Partnership Level:***

Cash	\$ 62,385
In-Kind Goods and Services	<u>24,385</u>
	\$ <u>86,770</u>

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

Cash	\$ <u>367,525</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(1). 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**

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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, 2002, and have issued our report thereon dated April 10, 2003. 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

**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)**

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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 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.

April 10, 2003

*Crisp Hughes Evans LLP*

## **DISTRIBUTION OF AUDIT REPORT**

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