

**FINANCIAL STATEMENT AUDIT REPORT OF
ALAMANCE PARTNERSHIP FOR CHILDREN
BURLINGTON, 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

ALAMANCE PARTNERSHIP FOR CHILDREN

BURLINGTON, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2002

BOARD OF DIRECTORS

SUE RICH, CHAIRPERSON

ADMINISTRATIVE OFFICER

PEGGY TEAGUE, EXECUTIVE DIRECTOR



Ralph Campbell, Jr.
State Auditor

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

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

AUDITOR'S TRANSMITTAL

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

This report presents the results of the financial statement audit of the Alamance 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 Alamance 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 Alamance Partnership for Children is one of these local partnerships. As such, the Alamance 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 black ink that reads "Ralph Campbell, Jr." in a cursive script.

Ralph Campbell, Jr.
State Auditor

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
EXHIBITS	
A - Statement of Receipts, Expenditures, and Net Assets--Regulatory Basis	3
B - Statement of Functional Expenditures--Regulatory Basis	4
Notes to the Financial Statements	5
SUPPLEMENTARY SCHEDULES	
1 Schedule of Contract and Grant Expenditures--Regulatory Basis	10
2 Schedule of State Level Service Provider Contracts.....	11
3 Schedule of State Awards--Regulatory Basis	12
4 Schedule of Property and Equipment.....	13
5 Schedule of Qualifying Match (Non-GAAP)	14
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	15
DISTRIBUTION OF AUDIT REPORT	17

INDEPENDENT AUDITORS' REPORT

Board of Directors
Alamance Partnership for Children
Burlington, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets--Regulatory Basis of the Alamance Partnership for Children (Alamance 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 Alamance 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 Alamance 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)

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2003 on our consideration of the Alamance 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 Alamance 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.

February 26, 2003

Crisp Hughes Evans LLP

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

	<u>Unrestricted Funds</u>		<u>Temporarily Restricted Funds</u>	<u>Total Funds</u>
	<u>Smart Start Fund</u>	<u>Other Funds</u>		
Receipts:				
State Awards (Less Refunds of \$95,494)	\$ 1,368,834	\$ 12,000	\$ -	\$ 1,380,834
Private Contributions	-	8,400	-	8,400
Interest and Investment Earnings	-	2,986	-	2,986
Sales Tax Refunds	-	8,521	-	8,521
Other Receipts	-	35	-	35
Total Receipts	<u>1,368,834</u>	<u>31,942</u>	<u>-</u>	<u>1,400,776</u>
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	-	175	(175)	-
	<u>1,368,834</u>	<u>32,117</u>	<u>(175)</u>	<u>1,400,776</u>
Expenditures:				
Programs:				
Child Care and Education Quality	639,006	4,653	-	643,659
Child Care and Education Accessibility and Availability	71,793	-	-	71,793
Child Care and Education Affordability	236,032	-	-	236,032
Health and Safety	185,350	-	-	185,350
Family Support	114,626	8,385	-	123,011
Support:				
Management and General	127,794	18,495	-	146,289
Program Evaluation	56,211	-	-	56,211
Other:				
Sales Tax Paid	-	8,758	-	8,758
Total Expenditures	<u>1,430,812</u>	<u>40,291</u>	<u>-</u>	<u>1,471,103</u>
Excess of Receipts Under Expenditures	(61,978)	(8,174)	(175)	(70,327)
Net Assets at Beginning of Year	<u>95,494</u>	<u>4,341</u>	<u>175</u>	<u>100,010</u>
Net Assets at End of Year	<u>\$ 33,516</u>	<u>\$ (3,833)</u>	<u>\$ -</u>	<u>\$ 29,683</u>
Net Assets Consisted of:				
Cash on Deposit	\$ 29,079	\$ (3,833)	\$ -	\$ 25,246
Refunds Due from Contractors	4,437	-	-	4,437
	<u>\$ 33,516</u>	<u>\$ (3,833)</u>	<u>\$ -</u>	<u>\$ 29,683</u>

The accompanying notes are an integral part of these statements.

**ALAMANCE 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	Participant Training
Smart Start Fund:									
Programs:									
Child Care and Education Quality	\$ 639,006	\$ 78,992	\$ 28,294	\$ 7,423	\$ 16,521	\$ 190	\$ 560	\$ 489,109	\$ 17,917
Child Care and Education Accessibility and Availability	71,793	-	-	-	-	-	-	71,793	-
Child Care and Education Affordability	236,032	-	-	-	-	-	-	236,032	-
Health and Safety	185,350	-	-	-	-	-	-	185,350	-
Family Support	114,626	-	-	-	-	-	-	114,626	-
Support:									
Management and General	127,794	98,876	6,683	3,762	13,890	3,713	133	-	737
Program Evaluation	56,211	38,901	11,900	388	3,248	-	1,774	-	-
Total Smart Start Fund Expenditures	\$1,430,812	\$ 216,769	\$ 46,877	\$ 11,573	\$ 33,659	\$ 3,903	\$ 2,467	\$1,096,910	\$ 18,654
Other Funds:									
Programs:									
Child Care and Education Quality	\$ 4,653	\$ -	\$ 2,551	\$ -	\$ -	\$ 400	-	\$ 365	1,337
Family Support	8,385	-	-	-	14	8,371	-	-	-
Support:									
Management and General	18,495	6,682	8,906	1,678	257	972	-	-	-
Other:									
Sales Tax Paid	8,758	-	-	8,758	-	-	-	-	-
Total Other Funds Expenditures	\$ 40,291	\$ 6,682	\$ 11,457	\$ 10,436	\$ 271	\$ 9,743	-	\$ 365	1,337

The accompanying notes are an integral part of these statements.

ALAMANCE PARTNERSHIP FOR CHILDREN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose - The Alamance Partnership for Children (Alamance Partnership) is a legally separate nonprofit organization incorporated on September 16, 1994. The Alamance Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Alamance 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 Alamance 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 Alamance Partnership did not have any temporarily or 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)

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 Alamance 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 Alamance Partnership to a concentration of credit risk.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

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

The Alamance Partnership was awarded and has received \$1,464,328 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 \$33,516

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

of this contract 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.

NOTE 4 - RELATED PARTY TRANSACTIONS

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

A. Program Functions

Child Care and Education Quality - Used to account for service activities including: quality enhancement (UPGRADE) grants, salary supplements, TEACH support, mentoring programs, curriculum enhancement, community planning for school readiness, and health insurance benefits for child care providers.

Child Care and Education Accessibility and Availability - Used to account for service activities associated with inclusion support.

Child Care and Education Affordability - Used to account for service activities including: child care subsidy administration, public Pre-K classes, subsidy, supplement for quality and transportation to child care.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Family Support - Used to account for service activities including: teen parent/child program, general family support, support services for children and families in crisis and community outreach.

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 program were allocated as follows:

Communication Costs and Payroll Service Charges - Allocated based on the number of full time employees.

NOTE 6 - PENSION PLAN

The Alamance Partnership has a Simplified Employee Pension (SEP) plan covering employees. Each employee of the Alamance Partnership, as a condition of employment, is provided an Individual Retirement Account through an outside insurance company. The Alamance Partnership does not own the accounts nor is liable for any other cost other than the required contribution.

From July 1, 2001 to June 30, 2002, the Alamance Partnership had a total payroll of \$186,727, all of which was covered under the plan. The Partnership contributed \$17,275 for pension benefits during the year.

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

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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 Alamance Partnership. The voluntary contributions by employees amounted to \$20,579 during the year ended June 30, 2002.

NOTE 7 - RESTRICTIONS ON NET ASSETS

Net Assets Released from Donor Restrictions - All net assets were released from donor restrictions during the fiscal year end June 30, 2002, by incurring expenditures satisfying the restricted purposes for the Family Literacy Project.

**ALAMANCE 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
Alamance City Transportation Services *	\$ 14,180	\$ (189)	\$ -	\$ -
Alamance Community College *	11,816	-	-	-
Alamance County Health Department *	124,750	-	-	-
Alamance County Library System *	47,155	-	-	-
Alamance County School System *	142,000	-	-	-
Alamance Developmental Center *	72,126	(25)	-	-
Catholic Social Ministries	40,351	(1,851)	-	-
Child Care Resource and Referral of Alamance County *	110,268	(2,331)	-	-
Family Center of Alamance	67,176	(24)	-	-
Love-A-Lot *	2,160	-	-	-
Various Day Care Providers	105,135	-	365	-
Volunteer Families for Children	38,816	(17)	-	-
Wee Care *	12,075	-	-	-
Women's Resource Center	22,100	-	-	-
Individuals:				
Scholarships/Bonus Awards	291,239	-	-	-
	\$ 1,101,347	\$ (4,437)	\$ 365	\$ -

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.

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

SCHEDULE 2

<u>Organization Name</u>	DHHS Contracts	NCPC Contracts	Total Contracts
Alamance County Department of Social Services	\$ 583,876	\$ -	\$ 583,876
Child Care Services Association WAGES program	147,094	-	147,094
National Society to Prevent Blindness - NC	-	38,122	38,122
	\$ 730,970	\$ 38,122	\$ 769,092

* 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 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.

**ALAMANCE 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>
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)	*1-01-5-01-001	\$ (95,494)	\$ -
Early Childhood Initiatives Program (current year)	*1-12-5-01-001	1,464,328	1,430,812
Multi-County Accounting and Contract Grant	-	<u>12,000</u>	<u>12,000</u>
Total State Awards		<u>\$ 1,380,834</u>	<u>\$ 1,442,812</u>

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

See Independent Auditors' Report.

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

SCHEDULE 4

Furniture and Non-Computer Equipment	\$ 8,868
Computer Equipment/Printers	<u>11,174</u>
Total Property and Equipment	<u>\$ 20,042</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.

**ALAMANCE PARTNERSHIP FOR CHILDREN
SCHEDULE OF QUALIFYING MATCH (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2002**

SCHEDULE 5

Match Provided at the Partnership Level:

Cash	\$	8,400
In-Kind Goods and Services		<u>55,540</u>
	\$	<u><u>63,940</u></u>

Match Provided at the Contractor Level:

Cash	\$	304,455
In-Kind Goods and Services		<u>82,560</u>
	\$	<u><u>387,015</u></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(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**

Board of Directors
Alamance Partnership for Children
Burlington, North Carolina

We have audited the financial statements of the Alamance Partnership for Children (Alamance Partnership) as of and for the year ended June 30, 2002, and have issued our report thereon dated February 26, 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 Alamance 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 Alamance 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)**

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.

February 26, 2003

Crisp Hughes Evans LLP

DISTRIBUTION OF AUDIT REPORT

In accordance with General Statutes 147-64.5 and 147-64.6(c)(14), copies of this report have been distributed to the public officials listed below. Additional copies are provided to other legislators, state officials, the press, and the general public upon request.

EXECUTIVE BRANCH

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

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

Ms. Karen Ponder

LEGISLATIVE BRANCH

Appointees to the Joint Legislative Commission on Governmental Operations

Senator Marc Basnight, Co-Chairman
Senator Charlie Albertson
Senator Kever M. Clark
Senator Daniel G. Clodfelter
Senator Walter H. Dalton
Senator James Forrester
Senator Linda Garrou
Senator Wilbur P. Gulley
Senator Kay R. Hagan
Senator David W. Hoyle
Senator Ellie Kinnaird
Senator Jeanne H. Lucas
Senator William N. Martin
Senator Stephen M. Metcalf
Senator Eric M. Reeves
Senator Larry Shaw
Senator R. C. Soles, Jr.
Senator David F. Weinstein

Representative James B. Black, Co-Chairman
Representative Martha B. Alexander
Representative E. Nelson Cole
Representative James W. Crawford, Jr.
Representative William T. Culpepper, III
Representative W. Pete Cunningham
Representative Beverly M. Earle
Representative Stanley H. Fox
Representative R. Phillip Haire
Representative Dewey L. Hill
Representative Maggie Jeffus
Representative Edd Nye
Representative William C. Owens, Jr.
Representative Drew P. Saunders
Representative Wilma M. Sherrill
Representative Joe P. Tolson
Representative Thomas E. Wright
Representative Douglas Y. Yongue

Other Legislative Officials

Senator Anthony E. Rand
Senator Patrick J. Ballantine
Representative N. Leo Daughtry
Representative Joe Hackney
Mr. James D. Johnson

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

ORDERING INFORMATION

Copies of this report may be obtained by contacting the:

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

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

Telephone: 919/807-7500

Facsimile: 919/807-7647