

FINANCIAL STATEMENT AUDIT REPORT OF  
TYRRELL COUNTY SMART START, INC.  
COLUMBIA, 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**

**TYRRELL COUNTY SMART START, INC.**

**COLUMBIA, NORTH CAROLINA**

**FOR THE YEAR ENDED JUNE 30, 2002**

**BOARD OF DIRECTORS**

**KAREN E. ESTEY, CHAIRPERSON**

**ADMINISTRATIVE OFFICER**

**ELEANOR M. CROCKETT, 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, Tyrrell County Smart Start, Inc.

This report presents the results of the financial statement audit of the Tyrrell County Smart Start, Inc. 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 Tyrrell County Smart Start, Inc. 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 Tyrrell County Smart Start, Inc. is one of these local partnerships. As such, the Tyrrell County Smart Start, Inc. 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

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## INDEPENDENT AUDITORS' REPORT

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Board of Directors  
Tyrrell County Smart Start, Inc.  
Columbia, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets--Regulatory Basis of the Tyrrell County Smart Start, Inc. (Tyrrell 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 Tyrrell 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 Tyrrell County Smart Start, Inc. 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2003 on our consideration of the Tyrrell Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts

## INDEPENDENT AUDITORS' REPORT (CONCLUDED)

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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 Tyrrell County Smart Start, 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.

January 10, 2003

*Crisp Hughes Evans LLP*

**TYRRELL COUNTY SMART START, INC.**  
**STATEMENT OF RECEIPTS, EXPENDITURES, AND NET ASSETS--REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2002** **EXHIBIT A**

	Unrestricted Funds		Total Funds
	Smart Start Fund	Other Funds	
<b>Receipts:</b>			
State Awards (less refunds of \$8,134)	\$ 162,171	\$ 12,000	\$ 174,171
Special Fund Raising Events	-	1,292	1,292
Other Receipts	178	498	676
Sales Tax Refunds	-	269	269
<b>Total Receipts</b>	162,349	14,059	176,408
<b>Expenditures:</b>			
Programs:			
Child Care and Education Quality	29,956	-	29,956
Child Care and Education Affordability	74,285	-	74,285
Support:			
Management and General	62,000	14,162	76,162
Sales Tax Paid	-	220	220
<b>Total Expenditures</b>	166,241	14,382	180,623
<b>Deficiency of Receipts Over Expenditures</b>	(3,892)	(323)	(4,215)
<b>Net Assets at Beginning of Year</b>	8,131	825	8,956
<b>Net Assets at End of Year</b>	\$ 4,239	\$ 502	\$ 4,741
<b>Net Assets Consisted of:</b>			
Cash on Deposit	\$ 1,606	\$ 502	\$ 2,108
Refunds Due From Contractors	2,633	-	2,633
	\$ 4,239	\$ 502	\$ 4,741

The accompanying notes are an integral part of these statements.

**TYRRELL COUNTY SMART START, INC.  
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	\$ 29,956	\$ 910	\$ 595	\$ 69	\$ -	\$ -	\$ -	\$ 28,382
Child Care and Education Affordability	74,285	-	-	-	36	-	-	74,249
<b>Support:</b>								
Management and General	62,000	47,033	4,103	1,057	7,911	1,829	67	-
<b>Total Smart Start Fund Expenditures</b>	<b>\$ 166,241</b>	<b>\$ 47,943</b>	<b>\$ 4,698</b>	<b>\$ 1,126</b>	<b>\$ 7,947</b>	<b>\$ 1,829</b>	<b>\$ 67</b>	<b>\$ 102,631</b>
<b>Other Funds:</b>								
<b>Support:</b>								
Management and General	\$ 14,162	\$ 7,200	\$ 4,800	\$ -	\$ 1,289	\$ 873	\$ -	\$ -
<b>Other:</b>								
Sales Tax Paid	220	-	-	220	-	-	-	-
<b>Total Other Funds Expenditures</b>	<b>\$ 14,382</b>	<b>\$ 7,200</b>	<b>\$ 4,800</b>	<b>\$ 220</b>	<b>\$ 1,289</b>	<b>\$ 873</b>	<b>\$ -</b>	<b>\$ -</b>

The accompanying notes are an integral part of these statements.

**TYRRELL COUNTY SMART START, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

- A. Organization and Purpose** - The Tyrrell County Smart Start, Inc. (Tyrrell Partnership) is a legally separate nonprofit organization incorporated on May 28, 1996. The Tyrrell Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Tyrrell 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 Tyrrell 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.

The Tyrrell 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.

However, unexpended advances to contractors that revert back to the State are recognized as a reduction to expenditures and an increase to net assets.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**D. Refunds Due from Contractors** - Refunds due from contractors represent the unexpended amount of advances to contractors at year end that 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.

**Note 2 - Deposits**

All funds of the Tyrrell 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 Tyrrell Partnership to a concentration of credit risk.

**NOTE 3 - FUNDING FROM GRANT AWARDS**

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

Associated with these contracts, the Tyrrell Partnership is responsible for developing a comprehensive, collaborative, long-range plan of services to children and families for the service-delivery area.

The Tyrrell Partnership was awarded and has received \$138,185 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 \$326 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 Tyrrell Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Tyrrell Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Partnership entered into

## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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contracts with board member organizations for program activities as identified on Schedule 1 accompanying the financial statements.

### NOTE 5 - FUNCTIONAL EXPENDITURES

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Receipts, Expenditures, and Net Assets--Regulatory Basis. Also, the Statement of Functional Expenditures--Regulatory Basis provides detail of the functional costs by their natural classification. Following are the services associated with the functional categories presented in the accompanying financial statements:

#### A. Program Functions

**Child Care and Education Quality** - Used to account for service activities including quality enhancement (upgrade) grants, professional development, and learning materials and teaching aids.

**Child Care and Education Affordability** - Used to account for service activities including public pre-K classes, Head Start wraparound, and subsidy.

#### 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.

### NOTE 6 - PENSION PLAN

The Tyrrell Partnership did not have a pension plan in place for its employees. However, the Executive director of the Tyrrell Partnership is provided, as part of the benefit package, an additional \$1,500 per year to be applied to an individual retirement plan. The Partnership has no liability for any other cost.

**TYRRELL COUNTY SMART START, INC.  
 SCHEDULE OF CONTRACT AND GRANT EXPENDITURES--REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2002**

**SCHEDULE 1**

<b>Organization Name</b>	<b>Smart Start Fund</b>	
	<b>Amount Advanced</b>	<b>Refund Due</b>
Children and Youth Partnership for Dare County	\$ 31,015	\$ (2,633)
Economic Improvement Council--Head Start	* 27,843	-
Tyrrell County Public Schools	* 34,000	-
<b>Individuals:</b>		
Child Care Scholarship	12,406	-
	<b>\$ 105,264</b>	<b>\$ (2,633)</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.

**TYRRELL COUNTY SMART START, INC.  
 SCHEDULE OF STATE AWARDS--REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2002**

**SCHEDULE 2**

<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 (prior year)	1-01-1-07-001	\$ (8,134)	\$ -
Early Childhood Initiatives Program (current year) *	1-12-1-07-001	138,185	137,859
Multi-County Accounting and Contracting Grant (current year)	-	12,000	12,000
Capacity Building Initiative	-	<u>32,120</u>	<u>28,382</u>
<b>Total State Awards</b>		<u>\$ 174,171</u>	<u>\$ 178,241</u>

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

See Independent Auditors' Report.

**TYRRELL COUNTY SMART START, INC.  
SCHEDULE OF PROPERTY AND EQUIPMENT  
FOR THE YEAR ENDED JUNE 30, 2002**

**SCHEDULE 3**

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Furniture and Non-Computer Equipment	\$ 11,491
Computer Equipment/Printers	12,380
Leasehold Improvements	<u>9,000</u>
Total Property and Equipment	<u>\$ 32,871</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.

**TYRRELL COUNTY SMART START, INC.  
SCHEDULE OF QUALIFYING MATCH (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2002**

**SCHEDULE 4**

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

Cash	\$	1,292
In-Kind Goods and Services		<u>4,959</u>
	\$	<u><u>6,251</u></u>

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

Cash	\$	1,172
In-Kind Goods and Services		<u>8,387</u>
	\$	<u><u>9,559</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**

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Board of Directors  
Tyrrell County Smart Start, Inc.  
Columbia, North Carolina

We have audited the financial statements of the Tyrrell County Smart Start, Inc. (Tyrrell Partnership) as of and for the year ended June 30, 2002, and have issued our report thereon dated January 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 Tyrrell 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 Tyrrell 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.

**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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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 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.

January 10, 2003

*Crisp Hughes Evans LLP*

## **DISTRIBUTION OF AUDIT REPORT**

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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**

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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

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Copies of this report may be obtained by contacting the:

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