



# **STATE OF NORTH CAROLINA**

## **FINANCIAL STATEMENT AUDIT REPORT OF JONES COUNTY PARTNERSHIP FOR CHILDREN**

**TRENTON, NORTH CAROLINA**

**FOR THE YEAR ENDED JUNE 30, 2003**

**OFFICE OF THE STATE AUDITOR**

**RALPH CAMPBELL, JR.**

**STATE AUDITOR**

**FINANCIAL STATEMENT AUDIT REPORT OF**

**JONES COUNTY PARTNERSHIP FOR CHILDREN**

**TRENTON, NORTH CAROLINA**

**FOR THE YEAR ENDED JUNE 30, 2003**

**BOARD OF DIRECTORS**

**DEWEY STRAYHORN, BOARD CHAIR**

**ADMINISTRATIVE OFFICER**

**DR. NORMA H. SERMON-BOYD, EXECUTIVE DIRECTOR**



Ralph Campbell, Jr.  
State Auditor

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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, Jones County Partnership for Children

This report presents the results of our financial statement audit of the Jones County Partnership for Children (Jones Partnership) for the year ended June 30, 2003. Our audit was made by authority of Article 5A of Chapter 147 of the *North Carolina General Statutes*.

The accounts and operations of the Jones 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 Jones Partnership was made in conjunction with the Early Childhood Initiatives (Smart Start) program authorized by General Statutes 143B-168.10-.16. These statutes created The North Carolina Partnership for Children, Inc. and required the implementation of local demonstration projects (local partnerships). The Jones Partnership is one of these local partnerships. As such, the Jones Partnership is a private nonprofit 501(c)(3) organization and is required by General Statute 143B-168.14(b) to have a financial and compliance audit conducted by the Office of 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** – To express an opinion on the accompanying financial statements.

**Results** – The accompanying financial statements present fairly, in all material respects, the amounts and disclosures made in accordance with the modified cash basis of accounting, a comprehensive basis of accounting other than generally accepted accounting principles.

## AUDITOR'S TRANSMITTAL (CONCLUDED)

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2. **Objective** – To present significant deficiencies, if any, in internal control over financial reporting which could adversely affect the Jones Partnership's ability to record, process, summarize, and report financial data in the financial statements and present instances of noncompliance, if any, with laws, regulations, contracts, or grants.

**Results** - Our tests disclosed no material weaknesses in the internal control over financial reporting and no instances of noncompliance that 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.

A handwritten signature in black ink that reads "Ralph Campbell, Jr." The signature is written in a cursive, flowing style.

Ralph Campbell, Jr.  
State Auditor

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**INDEPENDENT AUDITOR'S REPORT**

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Board of Directors  
Jones County Partnership for Children  
Trenton, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Jones County Partnership for Children (Jones Partnership) as of June 30, 2003, and the related Statement of Functional Expenditures – Modified Cash Basis for the year then ended. These financial statements are the responsibility of the Jones 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 misstatements. 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 modified cash basis of accounting, 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 Jones County Partnership for Children as of June 30, 2003, and the results of its operations arising from modified cash basis transactions 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 February 20, 2004 on our consideration of the Jones Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with the independent auditor's report in considering the results of our audit.

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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Our audit was made for the purpose of forming an opinion on the basic financial statements of the Jones 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 Schedules 1, 2, 3, and 4 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. The information in Schedule 2 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on Schedule 2.

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.

A handwritten signature in black ink that reads "Ralph Campbell, Jr." in a cursive script.

Ralph Campbell, Jr.  
State Auditor

February 20, 2004

**Jones County Partnership for Children****Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis****For the Year Ended June 30, 2003****Exhibit A**

	Unrestricted Funds		Temporarily Restricted Funds	Total Funds
	Smart Start Fund	Other Funds		
<b>Receipts:</b>				
State Awards (less refunds of \$8,802)	\$ 319,663	\$ 12,000	\$ 0	\$ 331,663
Federal Awards		60,180		60,180
Private Contributions		5,054	2,557	7,611
Interest and Investment Earnings		35		35
Sales Tax Refunds		449		449
<b>Total Receipts</b>	319,663	77,718	2,557	399,938
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions		7,299	(7,299)	
Expiration of Time Restrictions		1,174	(1,174)	
	319,663	86,191	(5,916)	399,938
<b>Expenditures:</b>				
Programs:				
Child Care and Education Quality	38,549	300		38,849
Child Care and Education Affordability	127,253			127,253
Health and Safety	59,210	67,464		126,674
Family Support		5,815		5,815
Support:				
Management and General	87,184	17,038		104,222
Program Evaluation	13,517			13,517
Other:				
Sales Tax Paid		1,260		1,260
Refund of Prior Year Grant		3,881		3,881
<b>Total Expenditures</b>	325,713	95,758		421,471
<b>Excess of Receipts Over Expenditures</b>	(6,050)	(9,567)	(5,916)	(21,533)
<b>Net Assets at Beginning of Year (Note 10)</b>	8,802	28,319	9,167	46,288
<b>Net Assets at End of Year</b>	<u>\$ 2,752</u>	<u>\$ 18,752</u>	<u>\$ 3,251</u>	<u>\$ 24,755</u>
<b>Net Assets Consisted of:</b>				
Cash and Cash Equivalents	\$ 2,796	\$ 18,828	\$ 3,251	\$ 24,875
Less: Funds Held for Others	44	76		120
	<u>\$ 2,752</u>	<u>\$ 18,752</u>	<u>\$ 3,251</u>	<u>\$ 24,755</u>
The accompanying notes to the financial statements are an integral part of this statement.				



**Jones County Partnership for Children**  
**Statement of Functional Expenditures - Modified Cash Basis**  
**For the Year Ended June 30, 2003**

**Exhibit B**

	Total	Personnel	Contracted Services	Supplies and Materials	Other Operating Expenditures	Fixed Charges and Other Expenditures	Property and Equipment Outlay	Services/ Contracts/ Grants	Participant Training Expenditures
<b>Smart Start Fund:</b>									
<b>Programs:</b>									
Child Care and Education Quality	\$ 38,549	14,470	61	2,502	816	3,551		17,149	
Child Care and Education Affordability	\$ 127,253	14,456	61	4,505	970	1,540	2,257	103,464	
Health and Safety	\$ 59,210							59,210	
	\$ 225,012	\$ 28,926	\$ 122	\$ 7,007	\$ 1,786	\$ 5,091	\$ 2,257	\$ 179,823	\$ 0
<b>Support:</b>									
Management and General	\$ 87,184	60,898	3,172	1,384	7,405	12,228	2,097		
Program Evaluation	\$ 13,517	11,816	1,695	1	5				
	\$ 100,701	\$ 72,714	\$ 4,867	\$ 1,385	\$ 7,410	\$ 12,228	\$ 2,097	\$ 0	\$ 0
<b>Total Smart Start Fund Expenditures</b>	<b>\$ 325,713</b>	<b>\$ 101,640</b>	<b>\$ 4,989</b>	<b>\$ 8,392</b>	<b>\$ 9,196</b>	<b>\$ 17,319</b>	<b>\$ 4,354</b>	<b>\$ 179,823</b>	<b>\$ 0</b>
<b>Other Funds:</b>									
<b>Programs:</b>									
Child Care and Education Quality	\$ 300							300	
Health and Safety	\$ 67,464	59,020	357	755	3,602	1,305		2,425	
Family Support	\$ 5,815				820			4,995	
	\$ 73,579	\$ 59,020	\$ 357	\$ 755	\$ 4,422	\$ 1,305	\$ 0	\$ 7,720	\$ 0
<b>Support:</b>									
Management and General	\$ 17,038	\$ 0	\$ 6,752	\$ 124	\$ 1,650	\$ 3,360	\$ 4,194	\$ 958	\$ 0
<b>Other:</b>									
Sales Tax Paid	\$ 1,260			1,260					
Refund of Prior Year Grant	\$ 3,881					3,881			
	\$ 5,141	\$ 0	\$ 0	\$ 1,260	\$ 0	\$ 3,881	\$ 0	\$ 0	\$ 0
<b>Total Other Funds Expenditures</b>	<b>\$ 95,758</b>	<b>\$ 59,020</b>	<b>\$ 7,109</b>	<b>\$ 2,139</b>	<b>\$ 6,072</b>	<b>\$ 8,546</b>	<b>\$ 4,194</b>	<b>\$ 8,678</b>	<b>\$ 0</b>

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

**JONES COUNTY PARTNERSHIP FOR CHILDREN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization and Purpose** - The Jones County Partnership for Children (Jones Partnership) is a legally separate nonprofit organization incorporated on January 7, 1994. The Jones Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Jones 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 Jones Partnership's Board of Directors is responsible. Pursuant to the provisions of 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 Jones Partnership did not have any permanently restricted net assets at June 30, 2003.

**C. Basis of Accounting** - The accompanying financial statements were prepared on the modified cash basis of accounting. 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. Cash and Cash Equivalents** – This classification appears on the Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis and consists of cash on deposit with a private bank account.
- E. 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.
- F. 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 Jones Partnership was holding amounts withheld from employee paychecks for insurance payments.
- G. Compensated Absences** – As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid leave and compensatory time, along with the related employer costs that would be due to employees upon termination is reported as a commitment in Note 8.
- H Use of Estimates** - The preparation of financial statements in conformity with the other comprehensive basis of accounting used by the Jones Partnership requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as allocation of joint costs); accordingly, actual results could differ from those estimates. It is management's belief that these estimates are reasonable and fair.

### NOTE 2 - DEPOSITS

All funds of the Jones Partnership are deposited with a commercial bank and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Deposits over this amount subjects the Jones Partnership to a concentration of credit risk.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### NOTE 3 - FUNDING FROM GRANT AWARDS

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

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

The Jones Partnership was awarded and has received \$328,465 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 \$2,165 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2003.

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 Jones Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Jones 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.

### 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 – Modified Cash Basis. Also, the Statement of Functional Expenditures – Modified Cash 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)

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### A. Program Functions

**Child Care and Education Quality** - Used to account for service activities including quality enhancement grants for upgrades, quality enhancement grants for maintenance, childcare resource and referral, or salary supplements.

**Child Care and Education Affordability** - Used to account for service activities including public pre-K classes or part-day care programs.

**Health and Safety** - Used to account for service activities including vision screenings, comprehensive health services, childcare health consultants, comprehensive health support, or transportation to health services.

**Family Support** - Used to account for service activities including teen parent/child programs or general family support.

### 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**Other Costs** - Other costs including contracted services, supplies and materials, communication costs (telephone and internet service), and occupancy cost (rent) were allocated based on utilization data.

<u>Expenditure Category</u>	<u>Amount</u>
Contracted Services	\$ 7,248
Supplies and Materials	539
Other Operating Expenses	634
Fixed Charges and Other Expenses	<u>12,550</u>
Total Allocated Costs	<u>\$ 20,971</u>

### NOTE 6 - OPERATING LEASE OBLIGATIONS

Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2003:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2004	\$ 13,200
2005	13,200
2006	<u>2,200</u>
Total Minimum Lease Payments	<u>\$ 28,600</u>

Rental expense for all operating leases during the year was \$14,156.

### NOTE 7 - RISK MANAGEMENT

The Jones Partnership is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The Jones Partnership manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Torts, errors and omissions, health and life	Purchased commercial insurance	None
Workers Compensation – Employee injuries	Purchased commercial insurance	None
Physical property loss and natural disasters	Purchased commercial insurance	None

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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Management believes such coverage is sufficient to preclude any significant losses to the Jones Partnership. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

### NOTE 8 - COMMITMENTS AND CONTINGENCIES

**Compensated Absences** – As a result of the Jones Partnership’s use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation only; sick leave does not vest) and any employer-related costs earned and unpaid, are not reflected in the financial statements. The compensated absences commitment for vacation leave at June 30, 2003, is \$10,345. No funds or reservation of net assets has been made for this commitment.

### NOTE 9 - RESTRICTIONS ON NET ASSETS

**A. Temporarily Restricted Net Assets** - Temporarily restricted net assets at June 30, 2003 are available for the following purposes:

Purpose	Amount
Nurturing Moms	\$ 1,557
Welcome Baby	1,694
	<u>\$ 3,251</u>

**B. Net Assets Released From Donor Restrictions** - Net assets were released from donor restrictions during the fiscal year ended June 30, 2003, by incurring expenditures satisfying the restricted purposes or the time period of restrictions expired as follows:

Purpose	Amount
Mobile Education Center	\$ 1,637
Multicultural Translation Service	2,313
Nurturing Moms	2,033
Welcome Baby	2,490
	<u>\$ 8,473</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

### NOTE 10 - BEGINNING NET ASSETS

The Jones Carteret Partnership for Children was dissolved effective July 1, 2002 resulting in the creation of two separate local nonprofit organizations to oversee the Smart Start funding allocations for Jones and Carteret counties. As a result of the dissolution, the net assets of the former organization were distributed to the Jones County Partnership for Children and the Carteret County Partnership for Children. The distribution was based on activities previously controlled by the local Boards of the two counties. In addition, a settlement occurred between the two newly created Partnerships to satisfy previous joint costs. A schedule is presented below to identify the distribution of net assets that are reported as the beginning net asset balances for the two local partnerships.

	Distribution of Net Assets		
	Unrestricted Smart Start Fund	Unrestricted Other Funds	Temporarily Restricted Funds
The Jones Carteret Partnership for Children	\$ 8,145	\$ 34,740	\$ 9,167
Less: Carteret Partnership for Children	(657)	6,421	
Jones Partnership for Children	<u>\$ 8,802</u>	<u>\$ 28,319</u>	<u>\$ 9,167</u>



***Jones County Partnership for Children  
Schedule of Contract and Grant Expenditures - Modified Cash Basis  
For the Year Ended June 30, 2003***

***Schedule 1***

Organization Name		Smart Start Fund		Other Funds	
		Amount Advanced	Refund Due	Amount Advanced	Refund Due
Jones County Board of Education	*	136,095			
Jones County Health Department	*	12,755		2,995	
Mason Center Head Start	*	4,999			
Pollocksville Presbyterian Child Care		1,600			
Rainbow Child Care		2,940			
		<b>\$ 158,389</b>	<b>\$ 0</b>	<b>\$ 2,995</b>	<b>\$ 0</b>
<b>Individuals:</b>					
Parents/Child Care Training				2,490	
Salary Supplements		7,610		300	
		<b>\$ 7,610</b>	<b>\$ 0</b>	<b>\$ 2,790</b>	<b>\$ 0</b>
		<b>\$ 165,999</b>	<b>\$ 0</b>	<b>\$ 5,785</b>	<b>\$ 0</b>
* These organizations are represented on the Partnership's Board as described in Note 4 - Service Provider Contracts with Board Member Organizations.					



<b><i>Jones County Partnership for Children</i></b>				
<b><i>Schedule of Property and Equipment - Modified Cash Basis</i></b>				
<b><i>For the Year Ended June 30, 2003</i></b>				<b><i>Schedule 3</i></b>
	Furniture and Noncomputer Equipment	\$	34,180	
	Computer Equipment/Printers		52,495	
	Leasehold Improvements		13,683	
	Motor Vehicles		22,604	
	<b>Total Property and Equipment</b>	<b>\$</b>	<b>122,962</b>	
	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. The valuations represent historical cost. On the modified basis of accounting, these items are expensed in the year of purchase.			

*Jones County Partnership for Children*

*Schedule of Qualifying Match (Non-GAAP)*

*For the Year Ended June 30, 2003*

*Schedule 4*

*Match Provided at the Partnership Level:*

Cash	\$	815
In-Kind Goods and Services		6,537
	\$	7,352

*Match Provided at the Contractor Level:*

Cash	\$	0
In-Kind Goods and Services		99,419
	\$	99,419

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 2001-424, Section 21.72(c). 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.  
State Auditor

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**INDEPENDENT AUDITOR'S 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  
Jones County Partnership for Children  
Trenton, North Carolina

We have audited the financial statements of the Jones County Partnership for Children (Jones Partnership) as of and for the year ended June 30, 2003, and have issued our report thereon dated February 20, 2004. 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 Jones 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 Jones 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 relatively low level the risk that misstatements in amounts that would be material

**INDEPENDENT AUDITOR'S 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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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, 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.

A handwritten signature in black ink that reads "Ralph Campbell, Jr." in a cursive script.

Ralph Campbell, Jr.  
State Auditor

February 20, 2004

## **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	Governor of North Carolina
The Honorable Beverly M. Perdue	Lieutenant Governor of North Carolina
The Honorable Richard H. Moore	State Treasurer
The Honorable Roy A. Cooper, III	Attorney General
Mr. David T. McCoy	State Budget Officer
Mr. Robert L. Powell	State Controller
Ms. Carmen Hooker Odom	Secretary, Department of Health and Human Services
Mr. Ashley Thrift	Chairman, Board of Directors
	The North Carolina Partnership for Children, Inc.
Ms. Karen Ponder	Executive Director
	The North Carolina Partnership for Children, Inc.

### **LEGISLATIVE BRANCH**

Appointees to the Joint Legislative Commission on Governmental Operations

President Pro Tempore	Speaker of the House
Senator Marc Basnight, Co-Chair	Representative James B. Black, Co-Chair
Senator Charles W. Albertson	Representative Richard T. Morgan, Co-Chair
Senator Patrick J. Ballantine	Representative Martha B. Alexander
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Senator Robert A. Rucho	Representative William C. Owens, Jr.
Senator R. C. Soles, Jr.	Representative Wilma M. Sherrill
Senator Scott Thomas	Representative Thomas E. Wright

### **Other Legislative Officials**

Mr. James D. Johnson	Director, Fiscal Research Division
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May 11, 2004



## ORDERING INFORMATION

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