



STATE OF NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT OF RANDOLPH COUNTY PARTNERSHIP FOR CHILDREN

ASHEBORO, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2003

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

FINANCIAL STATEMENT AUDIT REPORT OF
RANDOLPH COUNTY PARTNERSHIP FOR CHILDREN
ASHEBORO, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2003

BOARD OF DIRECTORS

REID POLLARD, BOARD CHAIR

ADMINISTRATIVE OFFICER

PAULINE A. MCKEE, EXECUTIVE DIRECTOR



Ralph Campbell, Jr.
State Auditor

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AUDITOR'S TRANSMITTAL

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

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

2. **Objective** – To present significant deficiencies, if any, in internal control over financial reporting which could adversely affect the Randolph 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.



Ralph Campbell, Jr.
State Auditor

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Randolph County Partnership for Children
Asheboro, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Randolph County Partnership for Children (Randolph 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 Randolph 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 Randolph 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 June 25, 2004 on our consideration of the Randolph 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)

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Randolph 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, 3, 4, and 5 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.



Ralph Campbell, Jr.
State Auditor

June 25, 2004

Randolph 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	Permanently Restricted Funds	Total Funds
	Smart Start Fund	Other Funds			
Receipts:					
State Awards (less refunds of \$83,819)	\$ 1,409,986	\$ 110,761	\$ 0	\$ 0	\$ 1,520,747
Private Contributions		33,759	92,870	6,120	132,749
Interest and Investment Earnings		978			978
Sales Tax Refunds		4,246			4,246
Total Receipts	1,409,986	149,744	92,870	6,120	1,658,720
Net Assets Released from Restrictions:					
Satisfaction of Program Restrictions		44,667	(44,667)		
	1,409,986	194,411	48,203	6,120	1,658,720
Expenditures:					
Programs:					
Child Care and Education Quality	333,806				333,806
Child Care and Education Affordability	370,289	76,230			446,519
Health and Safety	237,875				237,875
Family Support	186,750				186,750
More at Four		101,822			101,822
Support:					
Management and General	206,306	10,928			217,234
Program Evaluation	46,769				46,769
Program Coordination	54,271				54,271
Other:					
Sales Tax Paid		3,752			3,752
Refund of Prior Year Grant		11,068			11,068
Total Expenditures	1,436,066	203,800			1,639,866
Excess of Receipts Over Expenditures	(26,080)	(9,389)	48,203	6,120	18,854
Net Assets at Beginning of Year	80,447	11,343	50,129		141,919
Net Assets at End of Year	\$ 54,367	\$ 1,954	\$ 98,332	\$ 6,120	\$ 160,773
Net Assets Consisted of:					
Cash and Cash Equivalents	\$ 34,175	\$ 1,954	\$ 98,332		\$ 134,461
Benefit Interest in Community Foundation				6,120	6,120
Refunds Due From Contractors	20,252				20,252
	54,427	1,954	98,332	6,120	160,833
Less: Funds Held for Others	60				60
	\$ 54,367	\$ 1,954	\$ 98,332	6,120	\$ 160,773

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

Randolph 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
Smart Start Fund:									
Programs:									
Child Care and Education Quality	\$ 333,806	104,464	7,688	8,022	26,951	16,762		169,919	
Child Care and Education Affordability	\$ 370,289	9,267	2,978		567	28		357,449	
Health and Safety	\$ 237,875							237,875	
Family Support	\$ 186,750		13,060	1,593	9,960	100		162,037	
	\$ 1,128,720	\$ 113,731	\$ 23,726	\$ 9,615	\$ 37,478	\$ 16,890	\$ 0	\$ 927,280	\$ 0
Support:									
Management and General	\$ 206,306	136,012	7,285	6,672	19,911	36,096	330		
Program Evaluation	\$ 46,769	20,066	24,192	38	2,226	247			
Program Coordination	\$ 54,271	44,000	6,495		2,952	824			
	\$ 307,346	\$ 200,078	\$ 37,972	\$ 6,710	\$ 25,089	\$ 37,167	\$ 330	\$ 0	\$ 0
Total Smart Start Fund Expenditures	\$ 1,436,066	\$ 313,809	\$ 61,698	\$ 16,325	\$ 62,567	\$ 54,057	\$ 330	\$ 927,280	\$ 0
Other Funds:									
Programs:									
Child Care and Education Affordability	\$ 76,230		281	1,531	1,265			73,153	
More at Four	\$ 101,822							101,822	
	\$ 178,052	\$ 0	\$ 281	\$ 1,531	\$ 1,265	\$ 0	\$ 0	\$ 174,975	\$ 0
Support:									
Management and General	\$ 10,928	\$ 0	\$ 9,003	\$ 0	\$ 1,917	\$ 8	\$ 0	\$ 0	\$ 0
Other:									
Sales Tax Paid	\$ 3,752			3,752					
Refund of Prior Year Grant	\$ 11,068					11,068			
	\$ 14,820	\$ 0	\$ 0	\$ 3,752	\$ 0	\$ 11,068	\$ 0	\$ 0	\$ 0
Total Other Funds Expenditures	\$ 203,800	\$ 0	\$ 9,284	\$ 5,283	\$ 3,182	\$ 11,076	\$ 0	\$ 174,975	\$ 0

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose - The Randolph County Partnership for Children (Randolph Partnership) is a legally separate nonprofit organization incorporated on August 27, 1998. The Randolph Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Randolph 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 Randolph 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.

Permanently restricted net assets include gifts and contributions that are limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by the actions of the Randolph Partnership. The net assets are invested in perpetuity with only the income from such investments available for program operations.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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. 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 petty cash and cash on deposit with private bank accounts.
- E. Investments** – This classification consists of funds invested in an endowment fund with the Community Foundation of Greater Greensboro, Inc. as reported in Note 11.
- F. 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.
- G. Funds Held For Others** - For the year ended, the Randolph Partnership was holding amounts withheld from employee paychecks for distribution to the Partnership's pension provider.
- H. 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 9.
- I. Use of Estimates** - The preparation of financial statements in conformity with the other comprehensive basis of accounting used by the Randolph 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - DEPOSITS

All funds of the Randolph 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 Randolph Partnership to a concentration of credit risk. At June 30, 2003, the Randolph Partnership's bank deposits in excess of the FDIC insured limit was \$81,408.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Randolph Partnership is responsible for developing a comprehensive, collaborative, long-range plan of services to children and families for the service-delivery area. During the year, the North Carolina Department of Health and Human Services (DHHS) entered into contracts with and made payments to service providers selected by the Randolph Partnership. These service provider contracts are not reflected on the accompanying financial statements. However, a summary of the service provider contracts entered into by DHHS is presented on Schedule 2 accompanying the financial statements.

The Randolph Partnership was awarded and has received \$1,490,744 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 \$23,538 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.

More at Four - The Randolph Partnership also received revenue and support from the State of North Carolina for the More at Four Program. The Randolph Partnership was awarded \$234,300 and received \$101,822 under a current year cost-reimbursement contract. The unexpended balance of this contract is subject to reversion to the State. The Partnership expects to receive continued funding through new More at Four contracts with the State.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 - RELATED PARTY TRANSACTIONS

- A. Service Provider Contracts with Board Member Organizations** - The board members of the Randolph Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Randolph Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Partnership entered into contracts with board member organizations for program activities as identified on Schedule 1 accompanying the financial statements. In addition, Schedule 2 identifies contracts entered into by DHHS with board member organizations for activities funded by the Partnership's Smart Start Allocation.
- B. Other Related Parties** - The Partnership's Chairman of the Board of Directors is the President and CEO of the local bank with which the Partnership maintains its deposits, as well as its mortgage (described in Note 9).

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:

A. Program Functions

Child Care and Education Quality - Used to account for service activities including quality enhancement grants for upgrades, child care resource and referral, or health insurance benefits for child care providers.

Child Care and Education Affordability - Used to account for service activities associated with public pre-K classes.

Health and Safety - Used to account for service activities including prenatal/newborn services or child care health consultants.

Family Support - Used to account for service activities including teen parent/child programs, ongoing parenting education, general family support, or community outreach, information, and resources.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

More at Four – Used to account for development and implementation of More at Four prekindergarten program for at-risk four-year-olds who are at risk of failure in kindergarten. The goal is to provide quality prekindergarten services in order to enhance kindergarten readiness.

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.

Program Coordination - Expenditures that are incurred to coordinate the policies, procedures, and daily practices of service delivery. Also, costs associated with monitoring in-house and direct service provider activities.

C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

Salaries and Benefits - Allocated based on employee time reports.

Other Costs - Other costs including occupancy cost (rent, utilities and maintenance), supplies and materials, and communication costs (telephone and printing) were allocated based on utilization data.

NOTE 6 - LEASE OBLIGATIONS

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	\$ 3,976
2005	3,304
2006	920
Total Minimum Lease Payments	<u>\$ 8,200</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Rental expense for all operating leases during the year was \$21,212.

NOTE 7 - PENSION PLAN

IRC Section 403(b) Plan - All permanent employees who are full-time can participate in a tax sheltered annuity plan (Plan) created under Internal Revenue Code Section 403(b). The Plan is a defined contribution plan in which each employee of the Randolph Partnership, as a condition of employment, is provided an individual annuity through an outside insurance company. The Randolph Partnership contributed 10% of gross wages for the year ended June 30, 2003. 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. These Plans are exclusively for employees of universities and certain charitable and other nonprofit organizations. All costs of administering and funding these Plans are the responsibility of the Plan participants. No costs are incurred by the Randolph Partnership.

For the year ended June 30, 2003, the Randolph Partnership contributed \$22,203 for retirement benefits during the year.

NOTE 8 - RISK MANAGEMENT

The Randolph 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 Randolph 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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 - COMMITMENTS AND CONTINGENCIES

- A. Compensated Absences** – As a result of the Randolph 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 \$8,743. No funds or reservation of net assets has been made for this commitment.
- B. Loan Commitment** - The Randolph Partnership has a note with a balance of \$25,077 at June 30, 2003 that is secured by the Partnership’s offices and payable to Randolph Bank and Trust company in quarterly installments of \$1,810. This amount includes principal and interest computed at an annual rate of 5.63%.

The future scheduled maturities of long-term debt are as follows:

<u>Fiscal Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>
2004	\$ 5,930	\$ 1,310
2005	6,279	961
2006	6,646	595
2007	<u>6,222</u>	<u>207</u>
Total Loan Payments	<u>\$ 25,077</u>	<u>\$ 3,073</u>

NOTE 10 - RESTRICTIONS ON NET ASSETS

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

<u>Purpose</u>	<u>Amount</u>
Success by Six	\$ 22,185
Liberty Early Childhood Center - Renovations	71,147
Celebrate Liberty’s Children – Family Support	<u>5,000</u>
	<u>\$ 98,332</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 as follows:

<u>Purpose</u>	<u>Amount</u>
Success by Six	\$ 25,109
Liberty Early Childhood Center - Renovations	<u>19,558</u>
	<u>\$ 44,667</u>

NOTE 11 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2003 are available for the following purposes:

<u>Purpose</u>	<u>Amount</u>
Randolph County Partnership for Children Endowment Fund	<u>\$ 6,120</u>

The Board of the Randolph Partnership authorized the establishment of the Randolph County Partnership for Children Endowment Fund at an initial target amount of \$20,000. The Endowment shall be devoted to the support of Randolph County Partnership for Children and its programs. The above represents funds collected during the current year towards establishing the Endowment.

The Endowment was established through the Community Foundation of Greater Greensboro, Inc. (Community Foundation) prior to June 30, 2003. The agreement between Randolph Partnership and Community Foundation provides that all the contributions to the Endowment are irrevocable. The Community Foundation will make annual distributions of the income earned on the Endowment, subject to Community Foundation's spending policy. The agreement also permits Community Foundation to substitute another beneficiary in the place of Randolph Partnership if the Partnership ceases to exist or if the Partnership ceases to be an organization described in Internal Revenue Code sections 170c and 501c(3). Therefore, the Randolph Partnership has explicitly granted variance power to the Community Foundation. The Randolph Partnership's endowment position is identified on the Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis as a Benefit Interest in the Community Foundation.

***Randolph 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	
Asheboro City Schools	*	140,808	(87)	55,022	
First Church of God Dayschool		10,841			
Hopewell United Methodist Church		59,152	(915)		
Kiddie Land Child Development Center, Inc.		14,423			
NC Cooperative Extension - Randolph County	*	67,547	(1,006)		
Randolph Community College	*	96,842	(2,529)		
Randolph County Health Department	*	250,315	(12,438)		
Randolph County Library	*	53,535	(3,277)		
Randolph County Schools	*	216,727		119,453	
Shepherd's Way Day School	*	11,983			
The Growing Place		15,689			
Various Day Care Organizations		9,670			
		\$ 947,532	\$ (20,252)	\$ 174,475	\$ 0
<i>Individuals:</i>					
Various Individuals				500	
		\$ 0	\$ 0	\$ 500	\$ 0
		\$ 947,532	\$ (20,252)	\$ 174,975	\$ 0

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

Randolph County Partnership for Children
Schedule of State Level Service Provider Contracts
For the Year Ended June 30, 2003

Schedule 2

Organization Name		DHHS Contracts
Child Care Services Association - WAGES Program		141,000
Randolph County Department of Social Services	*	762,559
		\$ 903,559
* These organizations are represented on the Partnership's Board as described in Note 4A - Service Provider Contracts with Board Member Organizations.		
The information on this schedule provides a listing of service provider contracts entered into by the North Carolina Department of Health and Human Services (DHHS) as described in Note 3 - Funding from Grant Awards.		

Randolph County Partnership for Children**Schedule of Federal and State Awards - Modified Cash Basis****For the Year Ended June 30, 2003****Schedule 3**

State Grantor/Pass-through Grantor/Program	Contract #	Receipts	Expenditures
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 Years)	Various	\$ (80,758)	\$ (50)
Early Childhood Initiatives Program (Current Year)	* N/A	1,490,744	1,436,116
Multi-County Accounting and Contracting Grant (Prior Year)		(3,061)	
Multi-County Accounting and Contracting Grant (Current Year)		12,000	9,003
North Carolina Department of Health and Human Services			
More at Four Pre-Kindergarten Program	* #2090003382	101,822	101,822
Total State Awards		\$ 1,520,747	\$ 1,546,891

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

Note: The More at Four Pre-Kindergarten Program is contracted jointly by the North Carolina Department of Health and Human Services and the Office of the Governor. The allocations for the More at Four program are included in the budget for the North Carolina Department of Health and Human Services; therefore, the above schedule identifies that agency as the State Grantor. The Office of the Governor is responsible for oversight of the More at Four Program.

Randolph County Partnership for Children

Schedule of Property and Equipment - Modified Cash Basis

For the Year Ended June 30, 2003

Schedule 4

Furniture and Noncomputer Equipment	\$	9,388
Computer Equipment/Printers		25,508
Buildings		168,177
Leasehold Improvements		8,367
Total Property and Equipment	\$	211,440

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.

***Randolph County Partnership for Children
Schedule of Qualifying Match (Non-GAAP)
For the Year Ended June 30, 2003***

Schedule 5

Match Provided at the Partnership Level:

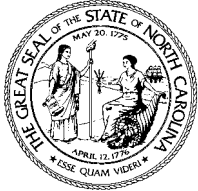
Cash	\$ 128,013
In-Kind Goods and Services	9,718
	<u>\$ 137,731</u>

Match Provided at the Contractor Level:

Cash	\$ 269,696
In-Kind Goods and Services	157,864
	<u>\$ 427,560</u>

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**

Board of Directors
Randolph County Partnership for Children
Asheboro, North Carolina

We have audited the financial statements of the Randolph County Partnership for Children (Randolph Partnership) as of and for the year ended June 30, 2003, and have issued our report thereon dated June 25, 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 Randolph 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 Randolph 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
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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.



Ralph Campbell, Jr.
State Auditor

June 25, 2004

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.

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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.

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Mr. James D. Johnson	Director, Fiscal Research Division
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September 9, 2004

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