



STATE OF NORTH CAROLINA

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

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

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

BOARD OF DIRECTORS

KENT HAYWOOD, CHAIRMAN

ADMINISTRATIVE OFFICER

DEBORAH MUSIKA, 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, Montgomery County Partnership for Children

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

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Montgomery County Partnership for Children (Montgomery 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 Montgomery 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 Montgomery 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 October 10, 2003 on our consideration of the Montgomery 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 Montgomery 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

October 10, 2003

Montgomery 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 \$189) | \$ 651,537 | \$ 83,900 | \$ 0 | \$ 0 | \$ 735,437 |
| Private Contributions | | 13,569 | | 3,417 | 16,986 |
| Special Fund Raising Events | | 1,171 | | | 1,171 |
| Sales Tax Refunds | | 2,145 | | | 2,145 |
| Total Receipts | 651,537 | 100,785 | | 3,417 | 755,739 |
| Net Assets Released from Restrictions: | | | | | |
| Satisfaction of Program Restrictions | | 2,997 | (2,997) | | |
| | 651,537 | 103,782 | (2,997) | 3,417 | 755,739 |
| Expenditures: | | | | | |
| Programs: | | | | | |
| Child Care and Education Quality | 143,752 | 1,953 | | | 145,705 |
| Child Care and Education Affordability | 208,800 | | | | 208,800 |
| Health and Safety | 58,430 | 4,864 | | | 63,294 |
| Family Support | 74,876 | 2,056 | | | 76,932 |
| More At Four | | 65,138 | | | 65,138 |
| Support: | | | | | |
| Management and General | 114,893 | 13,223 | | | 128,116 |
| Program Coordination | 48,500 | 119 | | | 48,619 |
| Other: | | | | | |
| Sales Tax Paid | | 2,239 | | | 2,239 |
| Total Expenditures | 649,251 | 89,592 | | | 738,843 |
| Excess of Receipts Over Expenditures | 2,286 | 14,190 | (2,997) | 3,417 | 16,896 |
| Net Assets at Beginning of Year | 189 | 5,878 | 2,997 | | 9,064 |
| Net Assets at End of Year | \$ 2,475 | \$ 20,068 | \$ 0 | \$ 3,417 | \$ 25,960 |
| Net Assets Consisted of: | | | | | |
| Cash and Cash Equivalents | \$ 6,707 | \$ 20,068 | \$ 0 | \$ 3,417 | \$ 30,192 |
| Refunds Due From Contractors | 432 | | | | 432 |
| | 7,139 | 20,068 | | 3,417 | 30,624 |
| Less: Funds Held for Others | 4,664 | | | | 4,664 |
| | \$ 2,475 | \$ 20,068 | \$ 0 | \$ 3,417 | \$ 25,960 |
| The accompanying notes to the financial statements are an integral part of this statement. | | | | | |

**Montgomery 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 | \$ 143,752 | 68,347 | 969 | 10,856 | 25,071 | 18,005 | 2,941 | 17,563 | |
| Child Care and Education Affordability | \$ 208,800 | | | | | | | 208,800 | |
| Health and Safety | \$ 58,430 | | | | | | | 58,430 | |
| Family Support | \$ 74,876 | 39,339 | 342 | 7,718 | 3,797 | 5,378 | | 18,302 | |
| | \$ 485,858 | \$ 107,686 | \$ 1,311 | \$ 18,574 | \$ 28,868 | \$ 23,383 | \$ 2,941 | \$ 303,095 | \$ 0 |
| Support: | | | | | | | | | |
| Management and General | \$ 114,893 | 90,466 | 4,521 | 576 | 6,468 | 12,862 | | | |
| Program Coordination | \$ 48,500 | 35,627 | 342 | 2,097 | 3,481 | 6,586 | 367 | | |
| | \$ 163,393 | \$ 126,093 | \$ 4,863 | \$ 2,673 | \$ 9,949 | \$ 19,448 | \$ 367 | \$ 0 | \$ 0 |
| Total Smart Start Fund Expenditures | \$ 649,251 | \$ 233,779 | \$ 6,174 | \$ 21,247 | \$ 38,817 | \$ 42,831 | \$ 3,308 | \$ 303,095 | \$ 0 |
| Other Funds: | | | | | | | | | |
| Programs: | | | | | | | | | |
| Child Care and Education Quality | \$ 1,953 | | | 744 | 1,209 | | | | |
| Health and Safety | \$ 4,864 | | 2,587 | 1,977 | 300 | | | | |
| Family Support | \$ 2,056 | | | 1,214 | 842 | | | | |
| More At Four | \$ 65,138 | | 100 | 547 | 3,358 | | 166 | 60,967 | |
| | \$ 74,011 | \$ 0 | \$ 2,687 | \$ 4,482 | \$ 5,709 | \$ 0 | \$ 166 | \$ 60,967 | \$ 0 |
| Support: | | | | | | | | | |
| Management and General | \$ 13,223 | | 12,000 | 199 | 539 | 365 | 120 | | |
| Program Coordination | \$ 119 | | | 114 | 5 | | | | |
| | \$ 13,342 | \$ 0 | \$ 12,000 | \$ 313 | \$ 544 | \$ 365 | \$ 120 | \$ 0 | \$ 0 |
| Other: | | | | | | | | | |
| Sales Tax Paid | \$ 2,239 | \$ 0 | \$ 0 | \$ 2,239 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Total Other Funds Expenditures | \$ 89,592 | \$ 0 | \$ 14,687 | \$ 7,034 | \$ 6,253 | \$ 365 | \$ 286 | \$ 60,967 | \$ 0 |

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Organization and Purpose** - The Montgomery County Partnership for Children (Montgomery Partnership) is a legally separate nonprofit organization incorporated on October 4, 1994. The Montgomery Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Montgomery 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 Montgomery 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 Montgomery Partnership did not have any temporarily restricted net assets at June 30, 2003.

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 Montgomery Partnership. The net assets are invested in perpetuity with only the income from such investments available for program operations.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

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 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 Montgomery Partnership was holding amounts withheld from employee paychecks for distribution to taxing authorities.

G. Use of Estimates - The preparation of financial statements in conformity with the other comprehensive basis of accounting used by the Montgomery 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 Montgomery 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 Montgomery Partnership to a concentration of credit risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Montgomery 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 Montgomery 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 Montgomery Partnership was awarded and has received \$618,017 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 \$1,723 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 Montgomery Partnership also received revenue and support from the State of North Carolina for the More at Four Program. The Montgomery Partnership was awarded \$115,500 and received \$70,900 under a current year cost-reimbursement contract. The unexpended balance of this contract is subject to reversion to the State. The Montgomery Partnership expects to receive continued funding through new More at Four contracts with the State.

NOTE 4 - RELATED PARTY TRANSACTIONS

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

program activities as identified on Schedule 1 accompanying the financial statements. In addition, Schedule 2 identifies contracts entered into by DHHS with board member organizations for activities funded by the Partnership's Smart Start Allocation.

NOTE 5 - FUNCTIONAL EXPENDITURES

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Receipts, Expenditures, and Net Assets – 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 child care resource and referral or salary supplements.

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 special needs – early intervention services.

Family Support - Used to account for service activities including parenting skills training, literacy projects, or community outreach information and resources.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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:

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

| <u>Expenditure Category</u> | <u>Amount</u> |
|----------------------------------|------------------|
| Contracted Services | \$ 2,400 |
| Other Operating Expenses | 7,510 |
| Fixed Charges and Other Expenses | <u>36,000</u> |
| Total Allocated Costs | <u>\$ 45,910</u> |

NOTE 6 - LEASE OBLIGATIONS

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

| <u>Fiscal Year</u> | <u>Operating Leases</u> |
|------------------------------|-------------------------|
| 2004 | \$ 36,000 |
| 2005 | 36,000 |
| 2006 | <u>33,000</u> |
| Total Minimum Lease Payments | <u>\$ 105,000</u> |

Rental expense for all operating leases during the year was \$37,680.

NOTE 7 - PENSION PLAN

Retirement Plans - The Montgomery Partnership has a Simplified Employee Pension (SEP) plan covering all full-time employees. Each full-time employee of the Montgomery Partnership, as a condition of employment, is provided an Individual Retirement Account through an outside insurance company. The Montgomery Partnership contributed 12% of gross wages for the year ended June 30, 2003. The Montgomery Partnership does not own the accounts nor is

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

liable for any other cost other than the required contribution. The Montgomery Partnership contributed \$14,161 for pension benefits for the year ended June 30, 2003.

NOTE 8 - RISK MANAGEMENT

The Montgomery 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 Montgomery 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 Montgomery Partnership. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

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> |
|-----------------------------|-----------------|
| Parent to Parent | \$ 2,986 |
| Safe Kids Montgomery County | 11 |
| | <u>\$ 2,997</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

NOTE 10 - PERMANENTLY RESTRICTED NET ASSETS

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

| <u>Purpose</u> | <u>Amount</u> |
|---|-----------------|
| Establishment of the Montgomery County Partnership for Children Endowment | <u>\$ 3,417</u> |

The Board of the Montgomery Partnership authorized the establishment of the Montgomery Fund Endowment at an initial target amount of \$5,000. The Endowment shall be devoted to the support of Montgomery 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 North Carolina Community Foundation subsequent to June 30, 2003.

**Montgomery 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 |
| A Brighter World Learning Center | | | 20,358 | |
| Little Friends of Troy | * | | 11,893 | |
| Montgomery County Cooperative Extension Service | * | 17,910 | (432) | |
| Montgomery County Health Department | * | 58,430 | | |
| Montgomery County Public Schools | * | 208,800 | 28,716 | |
| | | \$ 285,140 | \$ (432) | \$ 60,967 |
| | | | | \$ 0 |
| Individuals: | | | | |
| Salary Supplements | | \$ 18,387 | \$ 0 | \$ 0 |
| | | | | \$ 0 |
| | | \$ 303,527 | \$ (432) | \$ 60,967 |
| | | | | \$ 0 |
| * These organizations are represented on the Partnership's Board as described in Note 4 - Service Provider Contracts with Board Member Organizations. | | | | |

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

Schedule 2

| Organization Name | | DHHS Contracts |
|---|---|-------------------|
| Montgomery County Department of Social Services | * | \$ 75,000 |
| | | |
| | | |
| | | |
| * 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 the North Carolina Department of Health and Human Services (DHHS) as described in Note 3 - Funding from Grant Awards. | | |

**Montgomery County Partnership for Children
Schedule of 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 (Previous Years) | Various | \$ (189) | \$ (320) |
| Early Childhood Initiatives Program (Current Year) | * | 618,017 | 616,294 |
| Multi-County Accounting and Contracting Grant | N/A | 12,000 | 12,000 |
| Capacity Building Grant | N/A | 33,709 | 33,277 |
| North Carolina Department of Health and Human Services | | | |
| More at Four Pre-Kindergarten Program | * | 2090003416 | 70,900 |
| North Carolina Department of Insurance | | | |
| Office of State Fire Marshall | | | |
| North Carolina Safe Kids Program | N/A | 1,000 | 1,000 |
| Total State Awards | | \$ 735,437 | \$ 727,389 |
| * 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 State 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. | | | |

Montgomery 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 | \$ | 32,302 |
| | Computer Equipment/Printers | | 35,686 |
| | Leasehold Improvements | | 780 |
| | | | |
| | Total Property and Equipment | \$ | <u>68,768</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. The valuations represent historical cost. On the modified basis of accounting, these items are expensed in the year of purchase. | | |

**Montgomery 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 | \$ 11,958 |
| In-Kind Goods and Services | 29,508 |
| | <u>\$ 41,466</u> |

Match Provided at the Contractor Level:

| | |
|----------------------------|------------------|
| Cash | \$ 30,057 |
| In-Kind Goods and Services | 34,246 |
| | <u>\$ 64,303</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.



Ralph Campbell, Jr.
State Auditor

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Office of the 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
Montgomery County Partnership for Children
Troy, North Carolina

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

**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)**

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, 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

October 10, 2003

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February 24, 2004

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