

# **STATE OF NORTH CAROLINA**

**FINANCIAL STATEMENT AUDIT REPORT OF**

**RICHMOND COUNTY PARTNERSHIP FOR CHILDREN**

**ROCKINGHAM, NORTH CAROLINA**

**FOR THE YEARS ENDED JUNE 30, 2003 AND JUNE 30, 2002**

**OFFICE OF THE STATE AUDITOR**

**RALPH CAMPBELL, JR.**

**STATE AUDITOR**

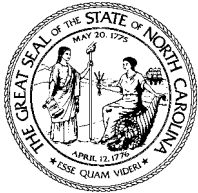
**FINANCIAL STATEMENT AUDIT REPORT OF**  
**RICHMOND COUNTY PARTNERSHIP FOR CHILDREN**  
**ROCKINGHAM, NORTH CAROLINA**  
**FOR THE YEARS ENDED JUNE 30, 2003 AND JUNE 30, 2002**

**BOARD OF DIRECTORS**

**G. R. KINDLEY, BOARD CHAIR**

**ADMINISTRATIVE OFFICER**

**CINDY WELLS, EXECUTIVE DIRECTOR**



Ralph Campbell, Jr.  
State Auditor

STATE OF NORTH CAROLINA  
Office of the State Auditor

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**AUDITOR'S TRANSMITTAL**

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

This report presents the results of our financial statement audits of the Richmond County Partnership for Children (Richmond Partnership) for the years ended June 30, 2003 and June 30, 2002. Our audits were made by authority of Article 5A of Chapter 147 of the General Statutes.

The accounts and operations of the Richmond 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 audits of the Richmond Partnership were 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 Richmond Partnership is one of these local partnerships. As such, the Richmond Partnership is a private nonprofit 501(c)(3) organization and is required by General Statute 143B-168.14(b) to have an annual financial and compliance audit conducted by the State Auditor.

The purpose of this report is to present the results of our audits 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 and supplementary information.

**Results** – The accompanying financial statements present fairly, in all material respects, the amounts and disclosures made in accordance with the regulatory basis of accounting established by the North Carolina Partnership for Children, Inc. The accompanying supplementary information presents information that is fairly stated in all material respects in relation to the basic financial statements.

## AUDITOR'S TRANSMITTAL (CONCLUDED)

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2. **Objective** – To present instances of noncompliance, if any, with laws, regulations, contracts, or grants.

**Results** - The following instance of noncompliance was detected:

**Finding**

Competitive Bidding

This matter is described in the Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting and the Audit Findings and Recommendations section of this report.

3. **Objective** – To present significant deficiencies, if any, in internal control over financial reporting which could adversely affect the Richmond Partnership's ability to record, process, summarize, and report financial data in the financial statements.

**Results** - Our tests disclosed no material weaknesses in the internal control over financial reporting which 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.

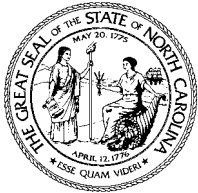


Ralph Campbell, Jr.  
State Auditor

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Ralph Campbell, Jr.  
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**INDEPENDENT AUDITOR'S REPORT**

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Board of Directors  
Richmond County Partnership for Children  
Rockingham, North Carolina

We have audited the accompanying Statements of Receipts, Expenditures, and Net Assets - Regulatory Basis of the Richmond County Partnership for Children (Richmond Partnership) as of June 30, 2003 and June 30, 2002, and the related Statements of Functional Expenditures - Regulatory Basis for the years then ended. These financial statements are the responsibility of the Richmond Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits 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 audits provide a reasonable basis for our opinion.

As described in Note 1, the accompanying financial statements were prepared on the regulatory basis of accounting as prescribed by the North Carolina Partnership for Children, Inc., which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Richmond County Partnership for Children as of June 30, 2003 and June 30, 2002, and the results of its operations for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2003 on our consideration of the Richmond Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations,

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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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 audits.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Richmond 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 these schedules has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the management of the partnership, the North Carolina Partnership for Children, Inc., the Governor, and the General Assembly and is not intended to be, and should not be, used by anyone other than these specified parties.

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

August 20, 2003

**Richmond County Partnership for Children****Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis****For the Year Ended June 30, 2002****Exhibit A**

	Unrestricted Funds		Temporarily Restricted Funds	Total Funds
	Smart Start Fund	Other Funds		
<b>Receipts:</b>				
State Awards (less refunds of \$48,779)	\$ 738,431	\$ 9,191	\$ 0	\$ 747,622
Private Contributions		5,277		5,277
Interest and Investment Earnings		345		345
Sales Tax Refunds		2,294		2,294
<b>Total Receipts</b>	738,431	17,107		755,538
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions		79	(79)	
	738,431	17,186	(79)	755,538
<b>Expenditures:</b>				
Programs:				
Child Care and Education Quality	238,315	640		238,955
Child Care and Education Affordability	80,451			80,451
Health and Safety	168,922			168,922
Family Support	113,299			113,299
Support:				
Management and General	100,848	23,081		123,929
Program Evaluation	50,043			50,043
Other:				
Sales Tax Paid		9,020		9,020
<b>Total Expenditures</b>	751,878	32,741		784,619
<b>Excess of Receipts Over Expenditures</b>	(13,447)	(15,555)	(79)	(29,081)
<b>Net Assets at Beginning of Year</b>	50,471	9,126	79	59,676
<b>Net Assets at End of Year</b>	<u>\$ 37,024</u>	<u>\$ (6,429)</u>	<u>\$ 0</u>	<u>\$ 30,595</u>
<b>Net Assets Consisted of:</b>				
Cash and Cash Equivalents	\$ 35,406	\$ (6,429)	\$ 0	\$ 28,977
Refunds Due From Contractors	1,618			1,618
	<u>\$ 37,024</u>	<u>\$ (6,429)</u>	<u>\$ 0</u>	<u>\$ 30,595</u>
The accompanying notes to the financial statements are an integral part of this statement.				

**Richmond County Partnership for Children****Statement of Receipts, Expenditures, and Net Assets - Regulatory 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 \$38,723)	\$ 772,535	\$ 12,000	\$ 0	\$ 784,535
Private Contributions		10,291	1,647	11,938
Interest and Investment Earnings		121		121
Sales Tax Refunds		9,564		9,564
Other Receipts	1,224			1,224
<b>Total Receipts</b>	<b>773,759</b>	<b>31,976</b>	<b>1,647</b>	<b>807,382</b>
<b>Expenditures:</b>				
Programs:				
Child Care and Education Quality	290,894	227		291,121
Child Care and Education Affordability	114,521			114,521
Health and Safety	130,274			130,274
Family Support	85,736	2,445		88,181
Support:				
Management and General	110,659	16,803		127,462
Program Evaluation	58,382	7		58,389
Other:				
Sales Tax Paid		2,897		2,897
<b>Total Expenditures</b>	<b>790,466</b>	<b>22,379</b>		<b>812,845</b>
<b>Excess of Receipts Over Expenditures</b>	<b>(16,707)</b>	<b>9,597</b>	<b>1,647</b>	<b>(5,463)</b>
<b>Net Assets at Beginning of Year</b>	<b>37,024</b>	<b>(6,429)</b>		<b>30,595</b>
<b>Net Assets at End of Year</b>	<b>\$ 20,317</b>	<b>\$ 3,168</b>	<b>\$ 1,647</b>	<b>\$ 25,132</b>
<b>Net Assets Consisted of:</b>				
Cash and Cash Equivalents	\$ 19,629	\$ 3,168	\$ 1,647	\$ 24,444
Refunds Due From Contractors	688			688
	<b>\$ 20,317</b>	<b>\$ 3,168</b>	<b>\$ 1,647</b>	<b>\$ 25,132</b>
The accompanying notes to the financial statements are an integral part of this statement.				

***Richmond County Partnership for Children  
Schedule of Functional Expenditures - Regulatory Basis  
For the Year Ended June 30, 2002***

***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	\$ 238,315	105,375	6,085	20,181	30,392	8,617	598	67,067	
Child Care and Education Affordability	\$ 80,451							80,451	
Health and Safety	\$ 168,922							168,922	
Family Support	\$ 113,299							113,299	
	\$ 600,987	\$ 105,375	\$ 6,085	\$ 20,181	\$ 30,392	\$ 8,617	\$ 598	\$ 429,739	\$ 0
<b>Support:</b>									
Management and General	\$ 100,848	60,036	4,052	8,114	16,167	7,599	4,880		
Program Evaluation	\$ 50,043	43,054	546	852	3,565	2,026			
	\$ 150,891	\$ 103,090	\$ 4,598	\$ 8,966	\$ 19,732	\$ 9,625	\$ 4,880	\$ 0	\$ 0
<b>Total Smart Start Fund Expenditures</b>	<b>\$ 751,878</b>	<b>\$ 208,465</b>	<b>\$ 10,683</b>	<b>\$ 29,147</b>	<b>\$ 50,124</b>	<b>\$ 18,242</b>	<b>\$ 5,478</b>	<b>\$ 429,739</b>	<b>\$ 0</b>
<b>Other Funds:</b>									
<b>Programs:</b>									
Child Care and Education Quality	\$ 640	\$ 0	\$ 0	\$ 640	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>Support:</b>									
Management and General	\$ 23,081	\$ 653	\$ 14,020	\$ 6,144	\$ 658	\$ 1,606	\$ 0	\$ 0	\$ 0
<b>Other:</b>									
Sales Tax Paid	\$ 9,020	\$ 0	\$ 0	\$ 9,020	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>Total Other Funds Expenditures</b>	<b>\$ 32,741</b>	<b>\$ 653</b>	<b>\$ 14,020</b>	<b>\$ 15,804</b>	<b>\$ 658</b>	<b>\$ 1,606</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

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

***Richmond County Partnership for Children  
Schedule of Functional Expenditures - Regulatory 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	\$ 290,894	103,549	3,161	11,802	23,786	19,351	6,737	122,508	
Child Care and Education Affordability	\$ 114,521							114,521	
Health and Safety	\$ 130,274							130,274	
Family Support	\$ 85,736							85,736	
	\$ 621,425	\$ 103,549	\$ 3,161	\$ 11,802	\$ 23,786	\$ 19,351	\$ 6,737	\$ 453,039	\$ 0
<b>Support:</b>									
Management and General	\$ 110,659	81,254	3,589	4,030	12,336	6,027	3,423		
Program Evaluation	\$ 58,382	48,854	525	1,036	3,648	1,804	2,515		
	\$ 169,041	\$ 130,108	\$ 4,114	\$ 5,066	\$ 15,984	\$ 7,831	\$ 5,938	\$ 0	\$ 0
<b>Total Smart Start Fund Expenditures</b>	<b>\$ 790,466</b>	<b>\$ 233,657</b>	<b>\$ 7,275</b>	<b>\$ 16,868</b>	<b>\$ 39,770</b>	<b>\$ 27,182</b>	<b>\$ 12,675</b>	<b>\$ 453,039</b>	<b>\$ 0</b>
<b>Other Funds:</b>									
<b>Programs:</b>									
Child Care and Education Quality	\$ 227		60		17	150			
Family Support	\$ 2,445			2,445					
	\$ 2,672	\$ 0	\$ 60	\$ 2,445	\$ 17	\$ 150	\$ 0	\$ 0	\$ 0
<b>Support:</b>									
Management and General	\$ 16,803		12,423	1,865	2,515				
Program Evaluation	\$ 7				7				
	\$ 16,810	\$ 0	\$ 12,423	\$ 1,865	\$ 2,522	\$ 0	\$ 0	\$ 0	\$ 0
<b>Other:</b>									
Sales Tax Paid	\$ 2,897	\$ 0	\$ 0	\$ 2,897	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>Total Other Funds Expenditures</b>	<b>\$ 22,379</b>	<b>\$ 0</b>	<b>\$ 12,483</b>	<b>\$ 7,207</b>	<b>\$ 2,539</b>	<b>\$ 150</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

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

**RICHMOND COUNTY PARTNERSHIP FOR CHILDREN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2003 AND JUNE 30, 2002**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization and Purpose** - The Richmond County Partnership for Children (Richmond Partnership) is a legally separate nonprofit organization incorporated on December 16, 1996. The Richmond Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Richmond 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 Richmond 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 Richmond Partnership did not have any permanently restricted net assets at June 30, 2002 or June 30, 2003.

**C. Basis of Accounting** - The accompanying financial statements were prepared on the regulatory basis of accounting as prescribed by the North Carolina Partnership for Children, Inc. This basis differs from generally accepted accounting principles 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.

- D. Cash and Cash Equivalents** – This classification appears on the Statement of Receipts, Expenditures, and Net Assets – Regulatory Basis and consists of cash on deposit with private bank accounts.
- 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. Use of Estimates** - The financial statements include estimates and assumptions made by management for the allocation of joint costs. It is management's belief that these estimates are reasonable and fair.

### NOTE 2 - DEPOSITS

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

### NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Richmond Partnership is responsible for developing a comprehensive, collaborative, long-range plan of services to children and families for the service-delivery area. During both fiscal years, the Department of Health and Human Services (DHHS) entered into contracts with and made payments to service providers selected by the Richmond 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 the respective Schedule 2 accompanying the financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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For the year ended June 30, 2002, the Richmond Partnership was awarded and has received \$784,402 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 \$25,370 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2002.

For the year ended June 30, 2003, the Richmond Partnership was awarded and has received \$811,258 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 \$20,317 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 Richmond Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Richmond Partnership that board members not be involved with decisions regarding organizations they represent. During both fiscal years, the Partnership entered into contracts with board member organizations for program activities as identified on the respective 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 – Regulatory Basis. Also, the Statement of Functional Expenditures – Regulatory Basis, provides detail of the functional costs by their natural classification. Following are the services associated with the functional categories presented in the accompanying financial statements:

#### **A. Program Functions**

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**Child Care and Education Affordability** - Used to account for service activities including pre-K classes, public pre-K classes, or transportation to child care.

**Health and Safety** - Used to account for service activities including comprehensive health services, child care health consultants/outreach nurses, comprehensive health support, or special needs – early intervention services.

**Family Support** - Used to account for service activities including ongoing parenting education, family literacy, or outreach materials.

### 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.

### 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	\$ 2,997
2005	<u>1,749</u>
<b>Total Minimum Lease Payments</b>	<b><u>\$ 4,746</u></b>

Rental expenses for all operating leases during the periods ending June 30, 2002 and June 30, 2003 were \$3,343 and \$3,073, respectively.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**NOTE 7 - PENSION PLAN**

**Deferred Compensation and Supplemental Retirement Income Plans - IRC Section 403(b) Plan** - All permanent employees who are at least half time can participate in a tax sheltered annuity plan created under Internal Revenue Code Section 403(b). The plan is a defined contribution plan in which each employee of the Richmond Partnership, as a condition of employment, is provided an individual annuity through an outside insurance company. The Richmond Partnership contributed 3% of gross wages for the years ended June 30, 2002 and 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 Richmond Partnership.

For the years ended June 30, 2002 and June 30, 2003, the Richmond Partnership contributed \$5,242 and \$5,259, respectively, for retirement benefits during the year.

**NOTE 8 - COMMITMENTS AND CONTINGENCIES**

**Loan Commitment** - The Richmond Partnership has a note with a balance of \$49,661 at June 30, 2003 that is secured by Richmond Partnership assets (building and land) and payable to BB&T in monthly installments of \$500. This amount includes principal and interest computed at an annual rate of 5½%. The bank has reserved the right to adjust the fixed payments due annually beginning on June 12, 2004. At the end of the 3-year agreement, one final balloon payment is due.

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

<u>Fiscal Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>
2004	\$ 3,352	\$ 2,648
2005	3,542	2,459
2006	3,422	2,078
Balloon Payment Due	<u>39,345</u>	<u></u>
<b>Total Loan Payments</b>	<u><u>\$ 49,661</u></u>	<u><u>\$ 7,185</u></u>

## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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### 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:

<u>Purpose</u>	<u>Amount</u>
Dolly Parton Imagination Library	<u>\$ 1,647</u>

- B. Net Assets Released From Donor Restrictions** - Net assets were released from donor restrictions during the fiscal year ended June 30, 2002, by incurring expenditures satisfying the restricted purposes as follows:

<u>Purpose</u>	<u>Amount</u>
CP&L Reading Materials Grant	<u>\$ 79</u>

***Richmond County Partnership for Children  
Schedule of Contract and Grant Expenditures - Regulatory Basis  
For the Year Ended June 30, 2002***

***Schedule 1***

Organization Name	Smart Start Fund		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
Pee Dee Crisis Pregnancy Center	2,749			
Richmond Community College *	1,750			
Richmond County Even Start *	13,000			
Richmond County Health Department *	84,332	(1,130)		
Richmond County Schools *	178,031	(31)		
Sandhills Center for Mental Health, Developmental Disabilities and Substance Abuse Services *	30,356			
Sandhills Children's Center	55,626	(261)		
Various Child Care Providers	59,175	(196)		
	<b>\$ 425,019</b>	<b>\$ (1,618)</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Individuals:</b>				
Professional Development Scholarship	<b>\$ 6,338</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
	<b>\$ 431,357</b>	<b>\$ (1,618)</b>	<b>\$ 0</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.				

***Richmond County Partnership for Children  
Schedule of Contract and Grant Expenditures - Regulatory 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
Richmond County Even Start	*	17,800			
Richmond County Health Department	*	65,890	(688)		
Richmond County Schools	*	188,757			
Sandhills Center for Mental Health, Development Disabilities and Substance Abuse Services	*	13,516			
Sandhills Children's Center		51,556			
Various Day Care Providers		58,750			
		<b>\$ 396,269</b>	<b>\$ (688)</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Individuals:</b>					
Child Care Conference		4,470			
Education Wages		52,988			
		<b>\$ 57,458</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
		<b>\$ 453,727</b>	<b>\$ (688)</b>	<b>\$ 0</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.					

***Richmond County Partnership for Children  
Schedule of State Level Service Provider Contracts  
For the Year Ended June 30, 2002***

***Schedule 2***

Organization Name		DHHS Contracts	NCPC Contracts	Total Contracts
Child Care Services Association-Wages		52,000		\$ 52,000
Richmond County Department of Social Services		406,500		\$ 406,500
		<b>\$ 458,500</b>	<b>\$ 0</b>	<b>\$ 458,500</b>
* These organizations are represented on the Partnership's Board as described in Note 4 - Service Provider Contracts with Board Member Organizations.				
The information on this schedule provides a listing of service provider contracts entered into by either the Department of Health and Human Services (DHHS) or the North Carolina Partnership for Children, Inc. (NCPC) as described in Note 3 - Funding from Grant Awards.				

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

***Schedule 2***

Organization Name		DHHS Contracts	NCPC Contracts	Total Contracts
Richmond County Department of Social Services		*	\$ 334,000	\$ 0
				\$ 334,000
* 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 either the Department of Health and Human Services (DHHS) or the North Carolina Partnership for Children, Inc. (NCPC) as described in Note 3 - Funding from Grant Awards.				

***Richmond County Partnership for Children  
Schedule of State Awards - Regulatory Basis  
For the Year Ended June 30, 2002***

### Schedule 3

State Grantor/Pass-through Grantor/Program	Contract #	Receipts	Expenditures
<b>State Awards:</b>			
North Carolina Department of Health and Human Services			
Division of Child Development			
Pass-through from the North Carolina Partnership for Children, Inc.			
Early Childhood Initiatives Program (Prior Year)	1-01-5-26-001	\$ (45,971)	\$ 0
Early Childhood Initiatives Program (Current Year)	* 1-12-5-26-001	784,402	751,878
Multi-County Accounting and Contracting Grant (Prior Year)	N/A	(2,808)	
Multi-County Accounting and Contracting Grant (Current Year)	N/A	12,000	12,000
<b>Total State Awards</b>		<b>\$ 747,623</b>	<b>\$ 763,878</b>
* Programs with compliance requirements that have a direct and material effect on the financial statements.			

***Richmond County Partnership for Children  
Schedule of State Awards - Regulatory Basis  
For the Year Ended June 30, 2003***

***Schedule 3***

State Grantor/Pass-through Grantor/Program	Contract #	Receipts	Expenditures
<b>State Awards:</b>			
North Carolina Department of Health and Human Services			
Division of Child Development			
Pass-through from the North Carolina Partnership for Children, Inc.			
Early Childhood Initiatives Program (Prior Year)	Various	\$ (38,723)	\$ 0
Early Childhood Initiatives Program (Current Year)	*	811,258	790,466
Multi-County Accounting and Contracting Grant	N/A	12,000	12,000
<b>Total State Awards</b>		<b>\$ 784,535</b>	<b>\$ 802,466</b>
* Programs with compliance requirements that have a direct and material effect on the financial statements.			

<b><i>Richmond County Partnership for Children</i></b>				
<b><i>Schedule of Property and Equipment</i></b>				
<b><i>For the Year Ended June 30, 2002</i></b>				<b><i>Schedule 4</i></b>
	Furniture and Non-Computer Equipment	\$	15,985	
	Computer Equipment/Printers		17,816	
	Buildings		43,500	
	Land		11,500	
	Leasehold Improvements		23,077	
	<b>Total Property and Equipment</b>	<b>\$</b>	<b>111,878</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. On the regulatory basis of accounting, these items are expensed in the year of purchase.			

<b>Richmond County Partnership for Children</b>				
<b>Schedule of Property and Equipment</b>				
<b>For the Year Ended June 30, 2003</b>				<b>Schedule 4</b>
	Furniture and Non-Computer Equipment	\$	15,985	
	Computer Equipment/Printers		16,230	
	Buildings		43,500	
	Land		11,500	
	Leasehold Improvements		23,077	
	<b>Total Property and Equipment</b>	\$	<b>110,292</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. On the regulatory basis of accounting, these items are expensed in the year of purchase.			

**Richmond County Partnership for Children**  
**Schedule of Qualifying Match (Non-GAAP)**  
**For the Year Ended June 30, 2002**

**Schedule 5**

**Match Provided at the Partnership Level:**

Cash	\$	4,627
In-Kind Goods and Services		13,144
	\$	17,771

**Match Provided at the Contractor Level:**

Cash	\$	100,760
In-Kind Goods and Services		53,657
	\$	154,417

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 1999-237, Section 11.48(l). The law allows for volunteer services to be valued for match purposes, a concept that deviates from generally accepted accounting principles.

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

**Schedule 5**

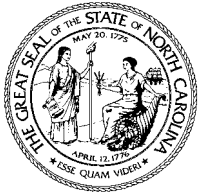
***Match Provided at the Partnership Level:***

Cash	\$	11,939
In-Kind Goods and Services		7,966
	\$	19,905

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

Cash	\$	84,014
In-Kind Goods and Services		50,011
	\$	134,025

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 1999-237, Section 11.48(l). 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**

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Board of Directors  
Richmond County Partnership for Children  
Rockingham, North Carolina

We have audited the financial statements of the Richmond County Partnership for Children (Richmond Partnership) as of and for the years ended June 30, 2003 and June 30, 2002, and have issued our report thereon dated August 20, 2003. We conducted our audits 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 Richmond 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 audits and, accordingly, we do not express such an opinion. The results of our tests, which are reported in the Audit Findings and Recommendations section of this report, disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*.

**Finding**

Competitive Bidding

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered the Richmond 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

**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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financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the management of the partnership, the North Carolina Partnership for Children, 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

August 20, 2003

## AUDIT FINDINGS AND RECOMMENDATIONS

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### **Matters Related to Financial Reporting**

*Current Year Finding and Recommendation* - The following finding and recommendation was identified during the current audit and represents noncompliance with laws, regulations, contracts, or grants.

#### COMPETITIVE BIDDING

Adequate documentation was not available to support the Richmond Partnership's compliance with legislatively mandated competitive bidding requirements.

*Recommendation:* We recommend that the Partnership enhance its documentation procedures to support compliance with the mandated bid requirements.

*Partnership's Response:* The Richmond County Partnership for Children will comply with the legislatively mandated bid requirements. This was a one-time occurrence and additional preventive measures have been implemented to ensure that the bidding practices will be continually followed and future omissions will not occur.

## **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
	North Carolina Partnership for Children, Inc.
Ms. Karen Ponder	Executive Director
	North Carolina Partnership for Children, Inc.

### **LEGISLATIVE BRANCH**

Appointees to the Joint Legislative Commission on Governmental Operations

Senator Marc Basnight	Senate President Pro Tem
Representative James B. Black	Speaker of the NC House of Representatives
Representative Richard Morgan	Speaker of the NC House of Representatives
Members of the Local Legislative Delegation	NC House and Senate
Mr. James D. Johnson	Director, Fiscal Research Division

September 24, 2003

## **ORDERING INFORMATION**

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Copies of this report may be obtained by contacting the:

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