



STATE OF NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT OF ROCKINGHAM COUNTY PARTNERSHIP FOR CHILDREN, INC.

WENTWORTH, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2004

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

**FINANCIAL STATEMENT AUDIT REPORT OF
ROCKINGHAM COUNTY PARTNERSHIP FOR CHILDREN, INC.**

WENTWORTH, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2004

BOARD OF DIRECTORS

TOM BALSLEY, BOARD CHAIRMAN

ADMINISTRATIVE OFFICER

**EXECUTIVE DIRECTORS
PAULA RAKESHAW
EVON WATT-WILKERSON**



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, Rockingham County Partnership for Children, Inc.

This report presents the results of our financial statement audit of the Rockingham County Partnership for Children, Inc. (Rockingham Partnership) for the year ended June 30, 2004. Our audit was made by authority of Article 5A of Chapter 147 of the *North Carolina General Statutes*.

The accounts and operations of the Rockingham 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 Rockingham 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 Rockingham Partnership is one of these local partnerships. As such, the Rockingham 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 Rockingham 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 - The following condition represents noncompliance with laws, regulations, contracts, or grants.

Finding

Noncompliance with Contract Provisions

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

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

Board of Directors
Rockingham County Partnership for Children, Inc.
Wentworth, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Rockingham County Partnership for Children, Inc. (Rockingham Partnership) as of June 30, 2004, and the related Statement of Functional Expenditures – Modified Cash Basis for the year then ended. These financial statements are the responsibility of the Rockingham 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 Rockingham County Partnership for Children, Inc. as of June 30, 2004, 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 September 30, 2004 on our consideration of the Rockingham Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rockingham County Partnership for Children, Inc.'s basic financial statements. The information in Schedules 1, 3, 4, and 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. These Schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are 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.



Ralph Campbell, Jr.
State Auditor

September 30, 2004

Rockingham County Partnership for Children, Inc.**Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis****For the Year Ended June 30, 2004****Exhibit A**

	Unrestricted Funds		Temporarily Restricted Funds	Total Funds
	Smart Start Fund	Other Funds		
Receipts:				
State Awards (less refunds of \$24,513)	\$ 1,035,397	\$ 416,436	\$ 0	\$ 1,451,833
Federal Awards		12,298		12,298
Private Contributions		35,351	676	36,027
Interest and Investment Earnings		825		825
Sales Tax Refunds		1,979		1,979
Other Receipts		5,544		5,544
Total Receipts	1,035,397	472,433	676	1,508,506
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions		10,697	(10,697)	
	1,035,397	483,130	(10,021)	1,508,506
Expenditures:				
Programs:				
Child Care and Education Affordability	54,000			54,000
Child Care and Education Quality	301,689	13,664		315,353
Family Support	181,822	930		182,752
Health and Safety	159,499	28,905		188,404
More at Four	188,949	401,393		590,342
Support:				
Management and General	96,973	8,787		105,760
Program Evaluation	32,492			32,492
Other:				
Sales Tax Paid		3,270		3,270
Total Expenditures	1,015,424	456,949	0	1,472,373
Excess of Receipts Over Expenditures	19,973	26,181	(10,021)	36,133
Net Assets at Beginning of Year	24,094	9,295	14,187	47,576
Net Assets at End of Year	\$ 44,067	\$ 35,476	\$ 4,166	\$ 83,709
Net Assets Consisted of:				
Cash and Cash Equivalents	\$ 44,067	\$ 35,476	\$ 4,166	\$ 83,709

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

Rockingham County Partnership for Children, Inc.
Statement of Functional Expenditures - Modified Cash Basis
For the Year Ended June 30, 2004

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 Affordability	\$ 54,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 54,000	\$ 0
Child Care and Education Quality	301,689	126,838	9,891	13,552	23,642	5,484	4,290	117,842	150
Family Support	181,822	62,604	10	1,428	12,010	298	2,914	102,558	
Health and Safety	159,499							159,499	
More at Four	188,949	4,600		18	491			183,840	
	<u>885,959</u>	<u>194,042</u>	<u>9,901</u>	<u>14,998</u>	<u>36,143</u>	<u>5,782</u>	<u>7,204</u>	<u>617,739</u>	<u>150</u>
Support:									
Management and General	96,973	65,420	4,971	3,255	13,627	8,094	1,606		
Program Evaluation	32,492	17,768	8,742	350	5,433	100	99		
	<u>129,465</u>	<u>83,188</u>	<u>13,713</u>	<u>3,605</u>	<u>19,060</u>	<u>8,194</u>	<u>1,705</u>		
Total Smart Start Fund Expenditures	\$ 1,015,424	\$ 277,230	\$ 23,614	\$ 18,603	\$ 55,203	\$ 13,976	\$ 8,909	\$ 617,739	\$ 150
Other Funds:									
Programs:									
Child Care and Education Quality	\$ 13,664	\$ 7,965	\$ 2,650	\$ 665	\$ 964	\$ 677	\$ 0	\$ 743	\$ 0
Family Support	930		10		920				
Health and Safety	28,905	10,564	5,110		617	12,614			
More at Four	401,393	14,811		2,441	1,509			382,632	
	<u>444,892</u>	<u>33,340</u>	<u>7,770</u>	<u>3,106</u>	<u>4,010</u>	<u>13,291</u>		<u>383,375</u>	
Support:									
Management and General	8,787		8,787						
	<u>8,787</u>		<u>8,787</u>						
Other:									
Sales Tax Paid	3,270			3,270					
	<u>3,270</u>			<u>3,270</u>					
Total Other Funds Expenditures	\$ 456,949	\$ 33,340	\$ 16,557	\$ 6,376	\$ 4,010	\$ 13,291	\$ 0	\$ 383,375	\$ 0

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

ROCKINGHAM COUNTY PARTNERSHIP FOR CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Organization and Purpose** - The Rockingham County Partnership for Children, Inc. (Rockingham Partnership) is a legally separate nonprofit organization incorporated on September 14, 1995. The Rockingham Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Rockingham 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 Rockingham 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 Rockingham Partnership did not have any permanently restricted net assets at June 30, 2004.

- C. Basis of Accounting** - The accompanying financial statements were prepared on the modified cash basis of accounting. This basis differs from accounting principles generally accepted in the United States of America primarily because it recognizes long lived assets and other costs which benefit more than one period as expended in the year purchased; it recognizes revenue when received rather than when earned; and it recognizes expenditures when paid rather than when incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

However, unexpended advances to contractors that revert back to the State of North Carolina 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 includes all demand and savings accounts and certificate of deposits or short-term investments with an original maturity of three months or less.
- E. Property and Equipment** – Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year occurred. However, Rockingham Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Rockingham Partnership has a policy to track purchases of property and equipment items with an individual cost of \$500 or more and an estimated useful life greater than one year. Such items are valued at their original purchase price, which may be different from their valuation as of June 30, 2004. Donated items are recorded at estimated fair market value at the date of donation.
- F. 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 that would be due to employees upon termination is reported as a commitment in Note 9.
- G. Use of Estimates** - The preparation of financial statements in conformity with the other comprehensive basis of accounting used by the Rockingham 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 Rockingham 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 Rockingham Partnership to a concentration of credit risk. At June 30, 2004, the Rockingham Partnership's bank deposits in excess of the FDIC insured limit was \$19,528.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Rockingham 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 Rockingham 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 Rockingham Partnership was awarded and has received \$1,059,910 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Rockingham Partnership has returned \$44,058 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2004.

The Rockingham Partnership expects to receive continued funding through new Smart Start contracts with the State.

More at Four – The Rockingham Partnership also received revenue and support from the State of North Carolina for the More at Four Program. The Rockingham Partnership was awarded \$445,617 and received \$404,436 under a current year cost-reimbursement contract. The Rockingham 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 Rockingham Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Rockingham Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Rockingham Partnership entered into contracts with board member organizations for program activities as identified on Schedule 1 accompanying

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

the financial statements. In addition, Schedule 2 identifies contracts entered into by DHHS with board member organizations for activities funded by the Rockingham 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 Affordability - Used to account for service activities associated with public pre-K classes.

Child Care and Education Quality - Used to account for service activities including quality enhancement grants for upgrades, child care resource and referral, professional development, child care substitutes, learning materials and teaching aids, kindergarten orientation/transition, or health insurance benefits for child care providers.

Family Support - Used to account for service activities including ongoing parenting education, family crisis intervention, transportation services, or community outreach information and resources.

Health and Safety - Used to account for service activities including comprehensive health services, special needs – early intervention services/special education, health needs and resources assessment, or nutrition programs.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

activities, business management, general recordkeeping, budgeting, and related purposes.

Program Evaluation - Expenditures that are incurred to monitor the performance of service providers as to the delivery of services and adherence to the specific terms and conditions of the contracts.

C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

Salaries and Benefits – Direct allocation 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 indirectly allocated based on utilization data.

NOTE 6 - OPERATING LEASE OBLIGATIONS

Rental expense for all operating leases during the year was \$1,470.

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 (Plan) created under Internal Revenue Code Section 403(b) after two years of employment. The Plan is a defined contribution plan in which each employee of the Rockingham Partnership, as a condition of employment, is provided an individual annuity through an outside insurance company. The Rockingham Partnership contributed 3% of gross wages for the year ended June 30, 2004. 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. The Rockingham Partnership contributed \$4,526 for retirement benefits during the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 8 - RISK MANAGEMENT

The Rockingham 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 Rockingham 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 disaster	Purchased commercial insurance	None

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

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Compensated Absences – As a result of the Rockingham 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, 2004 is \$8,494. No funds or reservation of net assets has been made for this commitment.

NOTE 10 - RESTRICTIONS ON NET ASSETS

A. Temporarily Restricted Net Assets - Temporarily restricted net assets at June 30, 2004 are available for the following purposes:

<u>Purpose</u>	<u>Amount</u>
Crusade for Children	\$ 3,000
Dental Sealant Program	490
Be Active Kids Program	<u>676</u>
	<u>\$ 4,166</u>

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

B. Net Assets Released From Donor Restrictions - Net assets were released from donor restrictions during the fiscal year ended June 30, 2004, by incurring expenditures satisfying the restricted purposes as follows:

<u>Purpose</u>	<u>Amount</u>
Hispanic Interpreter Services	\$ 10,317
Early Childhood Degree Scholarships	<u>380</u>
	<u>\$ 10,697</u>

Rockingham County Partnership for Children, Inc.
Schedule of Contract and Grant Expenditures - Modified Cash Basis
For the Year Ended June 30, 2004

Schedule 1

Organization Name	Smart Start Fund		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
Care-A-Lot Child Development Center	\$ 49,000	\$ 0	\$ 61,679	\$ 0
Council on Aging	58,750			
First Presbyterian Church Child Development Center	29,400		37,007	
Help, Inc.	43,808			
Kid's World of Stoneville	33,840		41,802	
Kid's World, Inc	48,200		58,343	
Reidsville High School Early Childhood Center	* 8,600			
Rockingham County Department of Public Health	* 159,499			
Rockingham County Schools	* 85,792		180,958	
Various Day Care Centers	20,090			
Western Rockingham Early Childhood Center	* 14,800		2,843	
	551,779		382,632	
Individuals:				
Educational Incentive Awards	15,987		363	
Health Insurance Program	49,973			
Scholarship Awards			380	
	65,960		743	
	\$ 617,739	\$ 0	\$ 383,375	\$ 0

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

Rockingham County Partnership for Children, Inc.
Schedule of State Level Service Provider Contracts
For the Year Ended June 30, 2004

Schedule 2

Organization Name	DHHS Contracts
Child Care Services Association - WAGE\$ Program	\$ 108,500
Rockingham County Department of Social Services	* 417,467
	<u>\$ 525,967</u>
<p>* These organizations are represented on the Partnership's Board as described in Note 4 - Service Provider Contracts with Board Member Organizations.</p>	
<p>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.</p>	

Rockingham County Partnership for Children, Inc.
Schedule of Federal and State Awards - Modified Cash Basis
For the Year Ended June 30, 2004

Schedule 3

Federal/State Grantor/Pass-through Grantor/Program	Federal CFDA Number	Contract #	Receipts	Expenditures
Federal Awards:				
North Carolina Department of Health and Human Services				
Division of Child Development				
Pass-through from the United Child Development Services, Inc.				
Child Care Resource and Referral	93.575	6228-2	\$ 12,298	\$ 12,891
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 Year)		N/A	(24,513)	(419)
Early Childhood Initiatives Program (Current Year)	*	N/A	1,059,910	1,015,843
Multi-County Accounting and Contracting Grant		N/A	12,000	8,637
North Carolina Department of Health and Human Services				
More at Four Pre-Kindergarten Program	*	2090003615	404,436	401,393
Total State Awards			1,451,833	1,425,454
Total Federal and State Awards			\$ 1,464,131	\$ 1,438,345

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

Rockingham County Partnership for Children, Inc.

Schedule of Property and Equipment - Modified Cash Basis

For the Year Ended June 30, 2004

Schedule 4

Furniture and Noncomputer Equipment	\$	18,796
Computer Equipment/Printers		28,070
Buildings		104,475
Land		130,061
Leasehold Improvements		3,212
Total Property and Equipment	\$	284,614
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.		

Rockingham County Partnership for Children, Inc.
Schedule of Qualifying Match (Non-GAAP)
For the Year Ended June 30, 2004

Schedule 5

Match Provided at the Partnership Level:

Cash	\$ 35,172
In-Kind Goods and Services	7,861
	\$ 43,033

Match Provided at the Contractor Level:

Cash	\$ 153,069
In-Kind Goods and Services	77,571
	\$ 230,640

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 2003-397, Section 10.38(c). The North Carolina Partnership for Children, Inc. and all local partnerships are required to match the total amount budgeted for the Smart Start Program in each fiscal year. The match is comprised of both cash and in-kind amounts. Only in-kind contributions that are verifiable, quantifiable, and related to the Smart Start Program can be applied to the in-kind match requirement, including volunteer services. The law allows for volunteer services to be valued for match purposes, a concept that deviates from generally accepted accounting principles. This schedule identifies those amounts allowable for this partnership in meeting the statewide match requirement.



Ralph Campbell, Jr.
State Auditor

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**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Rockingham County Partnership for Children, Inc.
Wentworth, North Carolina

We have audited the financial statements of the Rockingham County Partnership for Children, Inc. (Rockingham Partnership) as of and for the year ended June 30, 2004, and have issued our report thereon dated September 30, 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Rockingham 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 an opinion 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 reportable 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 caused by error or fraud 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rockingham Partnership's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS (CONCLUDED)**

tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is reported, with responses, in the Audit Findings and Recommendations section of this report. We also noted certain immaterial instances of noncompliance, which we have reported to management of the Rockingham Partnership in a separate letter dated December 22, 2004.

Finding

Noncompliance with Contract Provisions

This report is intended solely for the information and use of the audit committee, management of the Rockingham 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

September 30, 2004

AUDIT FINDINGS AND RECOMMENDATIONS

Matters Related to Financial Reporting

The following findings and recommendations were identified during the current audit and describe conditions that represent significant deficiencies in internal control or noncompliance with laws, regulations, contracts, or grants.

NONCOMPLIANCE WITH CONTRACT PROVISIONS

The Rockingham Partnership failed to adequately document its contract amendments with local service providers. Our testwork identified funding increases of \$201,165 for both Smart Start and More at Four activities that were not supported by written contract amendments.

The contract specifies that all changes to the contract must be made upon mutual consent of all parties. In addition, all changes to the original contracts were to be incorporated in written amendments and signed by all parties.

Recommendation: We recommend that the Rockingham Partnership comply with the provisions of its contracts and properly document all amendments to its contracts.

Partnership's Response: In response to the noncompliance with contract provisions, Rockingham County Partnership for Children will comply with the provisions of its contracts and properly document all amendments to its contracts.

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In accordance with *North Carolina 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 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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January 11, 2005

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