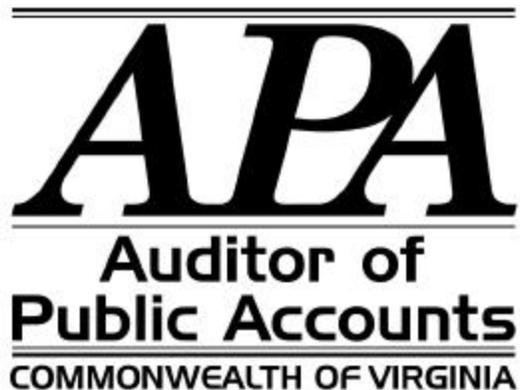


**VIRGINIA'S A.L. PHILPOTT
MANUFACTURING EXTENSION PARTNERSHIP
MARTINSVILLE, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2000**



AUDIT SUMMARY

Our audit of the Virginia's A. L. Philpott Manufacturing Extension Partnership for the year ended June 30, 2000, found:

- proper recording and reporting of transactions, in all material respects, in the accounting system of its fiscal agent;
- no internal control matters that we consider to be material weaknesses; and
- no material instances of noncompliance required to be reported under Government Auditing Standards.

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March 19, 2001

The Honorable James S. Gilmore, III
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Vincent F. Callahan, Jr.
Chairman, Joint Legislative Audit and
Review Commission
General Assembly Building
Richmond, Virginia

INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Virginia's A. L. Philpott Manufacturing Extension Partnership** (the Partnership) for the year ended June 30, 2000. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objectives, Scope, and Methodology

Our audit's primary objectives were to review the Partnership's accuracy of recording financial transactions on the accounting system of its fiscal agent, review the adequacy of the internal control, and test compliance with applicable laws and regulations.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Partnership's operations. We also tested transactions and performed such other auditing procedures, as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations.

We obtained an understanding of the relevant internal control components sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Partnership's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with applicable laws and regulations.

The Partnership's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Our audit was more limited than would be necessary to provide assurance on internal control or to provide an opinion on overall compliance with laws and regulations. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

Audit Conclusions

We found that the Partnership properly stated, in all material respects, the amounts recorded and reported in the accounting system of its fiscal agent. The Partnership records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

We found no matters involving internal control and its operation that we consider to be material weaknesses. Our consideration of internal control would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the Partnership's financial operations may occur and not be detected promptly by employees in the normal course of performing their duties.

The results of our tests of compliance disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of the Governor and General Assembly, the Board of Trustees, management, and the citizens of the Commonwealth of Virginia, and is a public record.

EXIT CONFERENCE

We discussed this report with management at an exit conference held on April 12, 2000.

AUDITOR OF PUBLIC ACCOUNTS

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FINANCIAL HIGHLIGHTS

The Partnership, an independent entity headquartered at Patrick Henry Community College (the College) in Martinsville-Henry County, Virginia seeks to foster statewide economic growth by enhancing the competitiveness of Virginia's small to mid-sized manufacturers. The Partnership carries out its mission through manufacturing specialists who deliver consulting services from eleven regional offices located throughout the Commonwealth.

The Partnership employs an executive director, business manager, office manager, systems administrator, operations manager and manufacturing specialists and has a twenty-three member Board of Trustees. The College, as its fiscal agent, provides budget, accounting, and payroll support. The Partnership anticipates that this support will continue in the future.

The Partnership is a discrete Component Unit of the Commonwealth. The Partnership maintains its operations from funding from the U.S. Department of Commerce, National Institute of Standards and Technology - Manufacturing Extension Partnership; General Fund Appropriations; Virginia's Center for Innovative Technology; and fees for consulting services.

The following table summarizes the financial activity for the year ended June 30, 2000 as recorded on the College's accounting system.

	<u>General Fund</u>	<u>Non-General Fund</u>
Revenues:		
Appropriations	\$ 600,000	\$ -
Private gifts and grants	-	370,654
Federal grants	-	1,365,583
Fees for consulting services	-	713,595
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Total revenues	600,000	2,449,832
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Expenses:		
Salaries and fringe benefits	101	1,579,840
Contractual services	538,708	702,301
Equipment	33,277	39,001
Other	27,914	73,529
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Total expenses	600,000	2,394,671
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Net increase for the year	-	55,161
Beginning balance July 1, 1999	-	407,366
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Ending balance June 30, 2000	\$ -	\$ 462,527
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VIRGINIA'S A. L. PHILPOTT
MANUFACTURING EXTENSION PARTNERSHIP
Martinsville, Virginia

BOARD OF TRUSTEES

Gideon C. Huddle, Chairman

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Dr. Douglas Covington	Robert J. McLachlan
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W. E. Giesler	Dr. Max F. Wingett

Jeff Kohler, Executive Director