



# **STATE OF NORTH CAROLINA**

## **FINANCIAL STATEMENT AUDIT REPORT**

**THE BERTIE COUNTY PARTNERSHIP FOR CHILDREN, INC.**

**WINDSOR, NORTH CAROLINA**

**FOR THE YEAR ENDED JUNE 30, 2007**

**OFFICE OF THE STATE AUDITOR**

**LESLIE W. MERRITT, JR., CPA, CFP**

**STATE AUDITOR**

# **FINANCIAL STATEMENT AUDIT REPORT**

**THE BERTIE COUNTY PARTNERSHIP FOR CHILDREN, INC.**

**WINDSOR, NORTH CAROLINA**

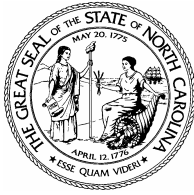
**FOR THE YEAR ENDED JUNE 30, 2007**

## **BOARD OF DIRECTORS**

**THOMAS C. ASBELL, BOARD CHAIRMAN**

## **ADMINISTRATIVE OFFICER**

**DR. DENAUVO M. ROBINSON, EXECUTIVE DIRECTOR**



STATE OF NORTH CAROLINA  
**Office of the State Auditor**

**Leslie W. Merritt, Jr., CPA, CFP**  
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, The Bertie County Partnership for Children, Inc.

We have completed a financial statement and compliance audit of The Bertie County Partnership for Children, Inc. (Bertie Partnership) for the year ended June 30, 2007, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material aspects.

The audit of the Bertie 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 Bertie Partnership is one of these local partnerships. As such, the Bertie Partnership is a private nonprofit 501(c)(3) organization and is subject to audit and review by the State Auditor under Article 5A of Chapter 147 of the General Statutes and as authorized in General Statute 143B-168.12(a)(7).

Our consideration of internal control over financial reporting and compliance and other matters based on an audit of the financial statements resulted in no audit findings.

*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.

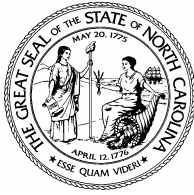
*Leslie W. Merritt, Jr.*

Leslie W. Merritt, Jr., CPA, CFP  
State Auditor

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**INDEPENDENT AUDITOR'S REPORT**

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Board of Directors  
The Bertie County Partnership for Children, Inc.  
Windsor, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis of The Bertie County Partnership for Children, Inc. (Bertie Partnership) as of June 30, 2007, and the related Statement of Functional Expenditures - Modified Cash Basis for the year then ended. These financial statements are the responsibility of the Bertie 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 Bertie Partnership as of June 30, 2007, 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 April 4, 2008, on our consideration of the Bertie 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 and the results of that

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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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 Bertie Partnership's basic financial statements. The information in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Schedules 1, 3, 4 and 5 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.



Leslie W. Merritt, Jr., CPA, CFP  
State Auditor

April 4, 2008

***The Bertie County Partnership for Children, Inc.***  
***Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis***  
***For the Year Ended June 30, 2007***

***Exhibit A***

	<b>Unrestricted Funds</b>		
	<b>Smart Start Fund</b>	<b>Other Funds</b>	<b>Total Funds</b>
<b>Receipts:</b>			
State Awards (less refunds of \$913)	\$ 348,074	\$ 11,087	\$ 359,161
Federal Awards		6,495	6,495
Private Contributions		364	364
Interest and Investment Earnings		682	682
Sales Tax Refunds		1,126	1,126
Other Receipts		1,005	1,005
<b>Total Receipts</b>	<b>348,074</b>	<b>20,759</b>	<b>368,833</b>
<b>Expenditures:</b>			
Programs:			
Child Care and Education Quality	125,974	655	126,629
Family Support	30,000		30,000
Health and Safety	35,002		35,002
Support:			
Management and General	117,517	12,925	130,442
Program Coordination	39,581		39,581
Other:			
Sales Tax Paid		1,344	1,344
<b>Total Expenditures</b>	<b>348,074</b>	<b>14,924</b>	<b>362,998</b>
<b>Excess of Receipts Over Expenditures</b>	<b>0</b>	<b>5,835</b>	<b>5,835</b>
<b>Net Assets at Beginning of Year</b>		<b>(3,102)</b>	<b>(3,102)</b>
<b>Net Assets at End of Year</b>	<b>\$ 0</b>	<b>\$ 2,733</b>	<b>\$ 2,733</b>
<b>Net Assets Consisted of:</b>			
Cash and Cash Equivalents	\$ 3,303	\$ 2,858	\$ 6,161
Refunds Due From Contractors	798		798
	<b>4,101</b>	<b>2,858</b>	<b>6,959</b>
Less: Due to the State	4,101		4,101
Funds Held for Others		125	125
	<b>\$ 0</b>	<b>\$ 2,733</b>	<b>\$ 2,733</b>

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

***The Bertie County Partnership for Children, Inc.***  
***Statement of Functional Expenditures - Modified Cash Basis***  
***For the Year Ended June 30, 2007***

***Exhibit B***

	Total	Personnel	Contracted Services	Supplies and Materials	Other Operating Expenditures	Fixed Charges and Other Expenditures	Property and Equipment Outlay	Services/ Contracts/ Grants
<b>Smart Start Fund:</b>								
<b>Programs:</b>								
Child Care and Education Quality	\$ 125,974	\$ 75,502	\$ 0	\$ 7,422	\$ 18,297	\$ 9,376	\$ 77	\$ 15,300
Family Support	30,000							30,000
Health and Safety	35,002							35,002
	<u>190,976</u>	<u>75,502</u>	<u>0</u>	<u>7,422</u>	<u>18,297</u>	<u>9,376</u>	<u>77</u>	<u>80,302</u>
<b>Support:</b>								
Management and General	117,517	20,080	83,337	1,449	6,941	5,691	19	
Program Coordination	39,581	32,245		214	5,390	1,732		
	<u>157,098</u>	<u>52,325</u>	<u>83,337</u>	<u>1,663</u>	<u>12,331</u>	<u>7,423</u>	<u>19</u>	<u>0</u>
<b>Total Smart Start Fund Expenditures</b>	<u>\$ 348,074</u>	<u>\$ 127,827</u>	<u>\$ 83,337</u>	<u>\$ 9,085</u>	<u>\$ 30,628</u>	<u>\$ 16,799</u>	<u>\$ 96</u>	<u>\$ 80,302</u>
<b>Other Funds:</b>								
<b>Programs:</b>								
Child Care and Education Quality	\$ 655	\$ 0	\$ 200	\$ 259	\$ 196	\$ 0	\$ 0	\$ 0
<b>Support:</b>								
Management and General	12,925		12,000		925			
<b>Other:</b>								
Sales Tax Paid	1,344			1,344				
<b>Total Other Funds Expenditures</b>	<u>\$ 14,924</u>	<u>\$ 0</u>	<u>\$ 12,200</u>	<u>\$ 1,603</u>	<u>\$ 1,121</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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



**THE BERTIE COUNTY PARTNERSHIP FOR CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization and Purpose** - The Bertie County Partnership for Children, Inc. (Bertie Partnership) is a legally separate nonprofit organization incorporated on April 15, 1996. The Bertie Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Bertie 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 Bertie 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.

The Bertie Partnership did not have any temporarily or permanently restricted net assets at June 30, 2007.

**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 of North Carolina are recognized as a reduction to expenditures and an increase to net assets. Amounts withheld from employee paychecks or other amounts received in an agency capacity are recorded as funds held for others. In addition, Smart Start funds advanced to the local Partnership that are unexpended and unearned at year-end are recorded as a Due to the State.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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- 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 certificates of deposit or short-term investments with an original maturity of three months or less.
- 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. Due to the State** - The funding provided by the State of North Carolina for the Smart Start program is funded on a cost reimbursement basis. The money is earned to the extent of allowable costs incurred. Any unexpended funds as of June 30 are required to be reverted to The North Carolina Partnership for Children, Inc. to be returned to the State of North Carolina.
- G. Funds Held For Others** - Funds held for others includes amounts received that are fiduciary in nature in which the Bertie Partnership acts in an agency capacity. At year-ended, the Bertie Partnership was holding amounts withheld from employee paychecks for distribution to insurance companies.
- H. Property and Equipment** - Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year purchased. However, Bertie Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Bertie 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, 2007. Donated items are recorded at estimated fair market value at the date of donation.
- I. 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 8.
- J. Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting used by the Bertie Partnership requires management to make estimates and assumptions that affect

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 Bertie 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 Bertie Partnership to a concentration of credit risk.

### NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Bertie 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 Bertie 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 Bertie Partnership was awarded and has received \$352,175 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Bertie Partnership has returned \$4,101 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2007.

### NOTE 4 - RELATED PARTY TRANSACTIONS

**Service Provider Contracts with Board Member Organizations** - The board members of the Bertie Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Bertie Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Bertie Partnership entered

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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into contracts with board member organizations for program activities as identified on Schedule 1 accompanying the financial statements. In addition, Schedule 2 identifies contracts entered into by DHHS with board member organizations for activities funded by the Bertie 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 quality enhancement grants for upgrades and child care resource and referral.

**Family Support** - Used to account for service activities associated with literacy projects.

**Health and Safety** - Used to account for service activities including child care health consultants and health services and support.

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

#### C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

**Salaries and Benefits** - Direct allocation based on employee time reports.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

### NOTE 6 - OPERATING LEASE OBLIGATIONS

Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2007:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2008	\$ 2,544
2009	2,544
2010	<u>636</u>
Total Minimum Lease Payments	<u>\$ 5,724</u>

Rental expense for all operating leases during the year was \$15,760.

### NOTE 7 - RISK MANAGEMENT

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

## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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### NOTE 8 - COMMITMENTS AND CONTINGENCIES

**Compensated Absences** - As a result of the Bertie 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, 2007, is \$752. No funds or reservation of net assets has been made for this commitment.

### NOTE 9 - SUBSEQUENT EVENTS

Effective July 1, 2007, The Bertie County Partnership for Children, Inc. merged with the Albemarle Smart Start Partnership, Inc.

***The Bertie County Partnership for Children, Inc.***  
***Schedule of Contract and Grant Expenditures - Modified Cash Basis***  
***For the Year Ended June 30, 2007***

***Schedule 1***

Organization Name	Smart Start Fund		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
<b><i>Paid to Organizations:</i></b>				
Albemarle Regional Health Center	* \$ 35,800	\$ (798)	\$ 0	\$ 0
Bertie County Schools	* 34,000			
	69,800	(798)	0	0
<b><i>Paid to Individuals:</i></b>				
Professional Development Bonuses	10,800			
Reach Up Bonuses	500			
	11,300	0	0	0
	<u>\$ 81,100</u>	<u>\$ (798)</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

***The Bertie County Partnership for Children, Inc.***  
***Schedule of State Level Service Provider Contracts***  
***For the Year Ended June 30, 2007***

***Schedule 2***

Organization Name	DHHS Contracts
Bertie County Department of Social Services	* \$ 145,626
Child Care Services Association -- WAGE\$ Program	54,600
	<u>\$ 200,226</u>

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

The information on this schedule provides a listing of service provider contracts entered into by the North Carolina Department of Health and Human Services (DHHS) as described in Note 3 - Funding from Grant Awards.



***The Bertie County Partnership for Children, Inc.***  
***Schedule of Federal and State Awards - Modified Cash Basis***  
***For the Year Ended June 30, 2007***

***Schedule 3***

<u>Federal/State Grantor/Pass-through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract #</u>	<u>Receipts</u>	<u>Expenditures</u>
<b>Federal Awards:</b>				
US Department of Health and Human Services				
Pass -through from the North Carolina Department of				
Health and Human Services - Division of Child Development				
Pass-through from the University of North Carolina at Chapel Hill				
Child Care Health Consultant Program (Prior Year)	93.575	5-41461	\$ 6,495	\$ 0
<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		N/A *	348,074	348,074
Multi-County Accounting and Contracting Grant (Prior Year)		N/A	(913)	
Multi-County Accounting and Contracting Grant (Current Year)		N/A	12,000	12,000
<b>Total State Awards</b>			<u>359,161</u>	<u>360,074</u>
<b>Total Federal and State Awards</b>			<u>\$ 365,656</u>	<u>\$ 360,074</u>

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

***The Bertie County Partnership for Children, Inc.***  
***Schedule of Property and Equipment - Modified Cash Basis***  
***For the Year Ended June 30, 2007***

***Schedule 4***

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Furniture and Noncomputer Equipment	\$ 34,055
Computer Equipment/Printers	<u>29,307</u>
Total Property and Equipment	<u><u>\$ 63,362</u></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.

***The Bertie County Partnership for Children, Inc.  
Schedule of Qualifying Match (Non-GAAP)  
For the Year Ended June 30, 2007***

***Schedule 5***

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

Cash	\$ 345
In-Kind Goods and Services	<u>8,314</u>
	<u>\$ 8,659</u>

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

Cash	\$ 14,407
In-Kind Goods and Services	<u>38,753</u>
	<u>\$ 53,160</u>

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 2005-276, Section 10.64(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.

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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**

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Board of Directors  
The Bertie County Partnership for Children, Inc.  
Windsor, North Carolina

We have audited the financial statements of The Bertie County Partnership for Children, Inc. (Bertie Partnership) as of and for the year ended June 30, 2007, and have issued our report thereon dated April 4, 2008. 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.

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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Bertie Partnership's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bertie Partnership's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Bertie Partnership's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Bertie Partnership's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Bertie Partnership's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

**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)**

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Bertie Partnership's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bertie 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 tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management of the Bertie Partnership, the Bertie Partnership's Board of Directors, 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.



Leslie W. Merritt, Jr., CPA, CFP  
State Auditor

April 4, 2008

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