

FINANCIAL STATEMENTS  
COLUMBUS CHARTER SCHOOL  
WHITEVILLE, NORTH CAROLINA  
JUNE 30, 2010

PM&P

PETWAY  
MILLS &  
PEARSON, PA

*Certified Public Accountants*

FINANCIAL STATEMENTS  
COLUMBUS CHARTER SCHOOL  
WHITEVILLE, NORTH CAROLINA  
JUNE 30, 2010

COLUMBUS CHARTER SCHOOL  
TABLE OF CONTENTS  
JUNE 30, 2010

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|                                                                                                                                                   | <u>EXHIBIT</u> | <u>PAGE</u> |
|---------------------------------------------------------------------------------------------------------------------------------------------------|----------------|-------------|
| <br>FINANCIAL SECTION                                                                                                                             |                |             |
| Independent Auditors' Report                                                                                                                      |                | 5           |
| Management's Discussion and Analysis                                                                                                              |                | 7           |
| Basic Financial Statements:                                                                                                                       |                |             |
| Government-wide Financial Statements:                                                                                                             |                |             |
| Statement of Net Assets                                                                                                                           | 1              | 17          |
| Statement of Activities                                                                                                                           | 2              | 18          |
| Fund Financial Statements:                                                                                                                        |                |             |
| Balance Sheet - Governmental Funds                                                                                                                | 3              | 19          |
| Reconciliation of the Balance Sheet - Governmental<br>Funds to the Statement of Net Assets                                                        | 3              | 19          |
| Statement of Revenues, Expenditures, and Changes in<br>Fund Balances - Governmental Funds                                                         | 4              | 20          |
| Reconciliation of the Statement of Revenues,<br>Expenditures, and Changes in Fund Balances -<br>Governmental Funds to the Statement of Activities | 5              | 21          |
| Notes to the Basic Financial Statements                                                                                                           |                | 22          |

STATEMENT    PAGE

Individual Fund Financial Statements and Schedules:

|                                                                                                                                                    |   |    |
|----------------------------------------------------------------------------------------------------------------------------------------------------|---|----|
| Balance Sheet - Non-major Governmental Funds                                                                                                       | 1 | 30 |
| Statement of Revenues, Expenditures, and<br>Changes in Fund Balances - Non-major Governmental<br>Funds                                             | 2 | 31 |
| Statement of Revenues, Expenditures, and Changes in Fund<br>Balances - Budget and Actual, Government-wide Budget<br>except for Federal Grants Fund | 3 | 32 |
| Statement of Revenues, Expenditures, and Changes in Fund<br>Balances - Budget and Actual, Federal Grants Fund                                      | 4 | 33 |

COMPLIANCE SECTION

|                                                                                                                                                                                                                                        |    |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| Report on Internal Control Over Financial Reporting and on Compliance<br>and Other Matters Based on an Audit of Financial Statements<br>Performed in Accordance with <u>Government Auditing Standards</u>                              | 35 |
| Report on Compliance with Requirements Applicable to each Major<br>State Program and Internal Control over Compliance in<br>Accordance with Applicable Sections of OMB Circular A-133 and<br>the State Single Audit Implementation Act | 37 |
| Schedule of Findings and Questioned Costs                                                                                                                                                                                              | 39 |
| Corrective Action Plan                                                                                                                                                                                                                 | 41 |
| Summary Schedule of Prior Years' Audit Findings                                                                                                                                                                                        | 42 |
| Schedule of Expenditures of Federal and State Awards                                                                                                                                                                                   | 43 |

FINANCIAL SECTION  
COLUMBUS CHARTER SCHOOL  
WHITEVILLE, NORTH CAROLINA  
JUNE 30, 2010

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Columbus Charter School  
Whiteville, North Carolina

We have audited the accompanying financial statements of the governmental activities and each major fund of Columbus Charter School, North Carolina, as of and for the year ended June 30, 2010 which collectively comprise Columbus Charter School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Columbus Charter School'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 financial statements are free of material misstatement. 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.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Columbus Charter School, North Carolina as of and for the year ended June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 25, 2010 on our consideration of Columbus Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance 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 read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Columbus Charter School, North Carolina. The individual fund statements and budgetary schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund financial statements, budgetary schedules and the accompanying

schedule of expenditures of federal and State awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Petway Mills & Pearson, PA  
PETWAY MILLS & PEARSON, PA  
Certified Public Accountants  
Zebulon, North Carolina

October 25, 2010

Management's Discussion and Analysis  
Charter Day School  
June 30, 2010



# Columbus Charter School



*Prepare Explore Discover*



35 Bacon's Way, Whiteville, NC 28472  
910-641-4042 [www.columbuscharterschool.org](http://www.columbuscharterschool.org)



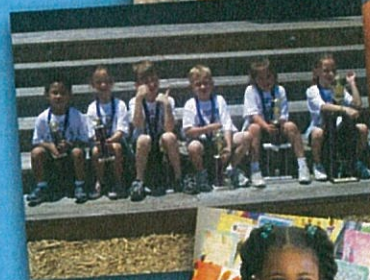
Columbus Charter School is a tuition-free, open enrollment public school in southeastern North Carolina. Since 2007, Columbus Charter School has focused on K-5 education and is a premier performance-driven year round school. Widely recognized as a compelling choice to conventional public education the school has built a reputation for retaining dedicated and highly qualified teachers that give students a strong and proven academic foundation. Columbus Charter School is among the top scoring schools in the Southeast region of North Carolina.

### School Features

- Use researched based core curriculum
- Student uniforms mandatory
- High expectations for students and staff
- School pledge for students and staff
- Intensive new-hire training
- Continuous in-service monitoring and coaching
- Teacher dress codes
- Regular parent surveys conducted
- Annual financial audits conducted

### Our Foundation - Three Laws

- Law 1 - Reward good behavior,  
*you'll get more of it.*
- Law 2 - Teach to mastery,  
*every child will learn.*
- Law 3 - Watch the children,  
*if they are not learning or behaving,  
you're not following the first two laws.*



35 Bacon's Way, Whiteville, NC 28472  
910-641-4042 [www.columbuscharterschool.org](http://www.columbuscharterschool.org)

## **Management's Discussion and Analysis Columbus Charter School June 30, 2010**

As management of Columbus Charter School, we offer readers of Columbus Charter School's audited financial statements this narrative overview and analysis of the financial activities of Columbus Charter School for the fiscal year ended June 30, 2010. We encourage readers to read the information presented herein in conjunction with additional information that we have furnished in the School's financial statements, which follow this narrative.

### **Financial Highlights**

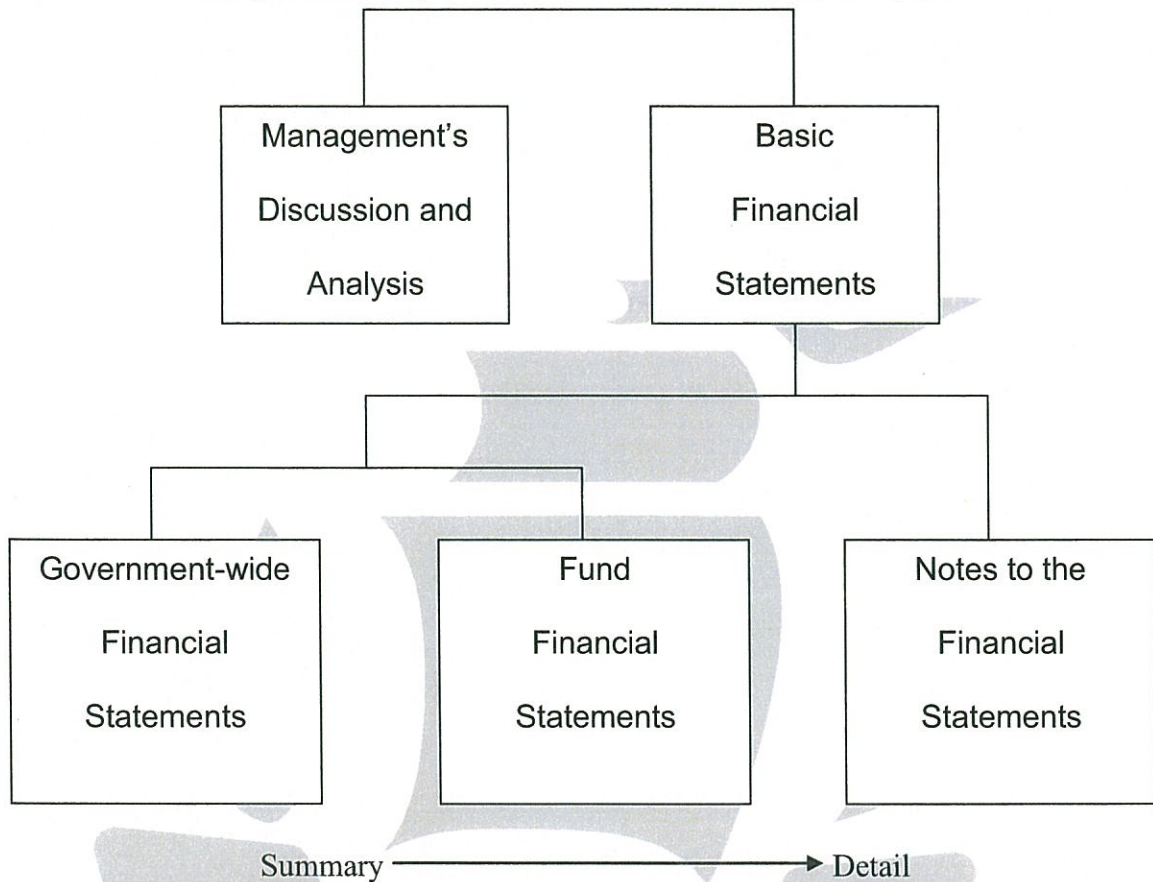
- The assets of Columbus Charter School exceeded its liabilities at the close of the fiscal year by \$82,840 (net assets).
- The school's total net assets increased by \$36,349, due to increases in the governmental activities net assets.
- As of the close of the current fiscal year, Columbus Charter School's governmental funds reported combined ending fund balances of \$27,853, an increase of \$5,833 in comparison with the prior year.
- As of the close of the current fiscal year, Columbus Charter School reported fixed assets net of depreciation of \$54,987, an increase of \$30,516 in comparison with the prior year.
- Enrollment continued to increase at the school in the 2009-2010 school year. The 2007-2008 enrollment was 132, the 2008-2009 enrollment was 250, and enrollment for 2009-2010 was 350. The current initial enrollment for the 2010-2011 school year has increased to 490 students.
- Columbus Charter School has no long-term debt.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to Columbus Charter School basic financial statements. The School's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two distinct financial perspectives of the School through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Columbus Charter School.

**Figure 1**

**Required Components of Annual Financial Report**



**Basic Financial Statements**

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the School's financial standing.

The next statements (Exhibits 3 through 4) are **Fund Financial Statements**. These statements focus on the activities of the individual segments of the School's government. These statements are more detailed than the government-wide financial statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the proprietary fund statements.

Immediately following the fund financial statements are the **Notes to the Financial Statements** (i.e. "Notes"). The Notes offer a detailed explanation of the data contained in those statements. Next, **supplemental information** is provided to show details about the School's funds. Budgetary information for the School also can be found in this section of the statements.

### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the School's finances, similar in format to the financial statements of a private-sector business. The government-wide statements provide short and long-term information about the School's financial status, as a whole.

The two government-wide statements report the School's net assets and how they have changed. Net assets equal the difference between the School's total assets and total liabilities. Measuring net assets is one way to gauge the School's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the School's basic functions such as instructional services and business services. These functions are funded almost entirely through state, county, and federal educational funds. The business-type activities are those services that the School charges its students and other customers. Columbus Charter School operates no business-type activities.

The government-wide financial statements are enumerated in Exhibits 1 and 2 of this report.

### **Fund Financial Statements**

The fund financial statements provide a more detailed look at the School's most significant activities. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Columbus Charter School, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related statutory requirements, such as the North Carolina General Statutes or the School's budget ordinance, where and when applicable. All of the funds of Columbus Charter School can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** – Governmental funds are used to account for functions reported as governmental activities in the government-wide financial statements. Most of the School's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and monies remaining at year-end that will be available for spending in the next fiscal year. Governmental funds

are reported using the modified accrual accounting method, which provides a short-term spending focus. The governmental fund financial statements assist the reader in determining whether there has been an increase or a decrease in the financial resources available to finance the School's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in reconciliation, which is an integral part of the fund financial statements.

Although not compelled or required to do so by federal, state, or local law, Columbus Charter School has elected to adopt an annual budget. Since the budget is not required by law, the budgetary comparison statements are not included in the basic financial statements, but are part of the supplemental statements and schedules following the notes. The budget incorporates input from the faculty, management, and the Board of Directors of the School and specifies which activities will be pursued and which services the School will provide during the year. It also authorizes the School to obtain funds from identified sources to finance current period activities. The budgetary statement demonstrates how well the School has complied with the budget ordinance and whether or not the School has succeeded in providing the services as originally planned.

**Proprietary Funds** – Columbus Charter School has no proprietary funds, which are enterprise funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Columbus Charter School did not operate any enterprise funds.

**Notes to the Financial Statements** – The notes provide additional information essential to facilitating a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 20 of this report.

### **Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as one useful indicator of a school's financial condition. The assets of Columbus Charter School exceeded liabilities by \$82,840 as of June 30, 2010. As of June 30, 2009, the net assets of Columbus Charter School stood at \$46,491. The School's net assets increased by \$36,349 for the fiscal year ended June 30, 2010, compared to an increase of \$29,154 for the fiscal year ended June 30, 2009. The amount of \$54,987 reflects the School's investment in capital assets (e.g. textbooks), less any related debt still outstanding that was issued to acquire those items. Columbus Charter School uses these capital assets to provide services to its students; consequently, these assets are not available for future spending.

For the fiscal year ended June 30, 2010, the amount of net assets invested in capital assets net of related debt was \$54,987. The remaining balance of \$27,853 was unrestricted. For the fiscal year ended June 30, 2009, the amount of net assets invested in capital assets net of related debt was \$24,471. The remaining balance of \$22,020 was unrestricted for that year.

**Figure 2  
 Columbus Charter School's Net Assets**

|                                                 | Governmental Activities |                 | Business-Type Activities |            | Total           |                 |
|-------------------------------------------------|-------------------------|-----------------|--------------------------|------------|-----------------|-----------------|
|                                                 | 2010                    | 2009            | 2010                     | 2009       | 2010            | 2009            |
| Current and other assets                        | \$36,134                | \$27,039        | \$0                      | \$0        | \$36,134        | \$27,039        |
| Due from other governments                      | -                       | 38,019          | -                        | -          | -               | 38,019          |
| Capital assets, net of depreciation             | 54,987                  | 24,471          | -                        | -          | 54,987          | 24,471          |
| <b>Total assets</b>                             | <b>91,121</b>           | <b>89,529</b>   | <b>-</b>                 | <b>-</b>   | <b>91,121</b>   | <b>89,529</b>   |
| Other liabilities                               | 8,281                   | 13,038          | -                        | -          | 8,281           | 13,038          |
| Long-term liabilities outstanding               | -                       | 30,000          | -                        | -          | -               | 30,000          |
| <b>Total liabilities</b>                        | <b>8,281</b>            | <b>43,038</b>   | <b>-</b>                 | <b>-</b>   | <b>8,281</b>    | <b>43,038</b>   |
| Invested in capital assets, net of related debt | 54,987                  | 24,471          | -                        | -          | 54,987          | 24,471          |
| Restricted                                      | -                       | -               | -                        | -          | -               | -               |
| Unrestricted                                    | 27,853                  | 22,020          | -                        | -          | 27,853          | 22,020          |
| <b>Total net assets</b>                         | <b>\$82,840</b>         | <b>\$46,491</b> | <b>\$0</b>               | <b>\$0</b> | <b>\$82,840</b> | <b>\$46,491</b> |

Several aspects of the School's financial operations positively influenced the total unrestricted governmental net assets:

- The School adopted an annual budget. The School's performance was measured using this budget on a monthly basis, allowing changes to be made in spending as needed to remain within the confines of the budget.
- The School applied for and was awarded several federal grants to assist with meeting the educational needs of the student population.

**Figure 3  
 Columbus Charter School's Changes in Net Assets**

|                          | Governmental Activities |                  | Business-Type Activities |            | Total            |                  |
|--------------------------|-------------------------|------------------|--------------------------|------------|------------------|------------------|
|                          | 2010                    | 2009             | 2010                     | 2009       | 2010             | 2009             |
| and fund raising         | \$0                     | \$0              | \$0                      | \$0        | \$0              | \$0              |
| Other Revenues           | 1,036                   | 38,809           | -                        | -          | 1,036            | 38,809           |
| es                       | -                       | -                | -                        | -          | -                | -                |
| and Contributions        | 157,430                 | 60,537           | -                        | -          | 157,430          | 60,537           |
| Federal Funds            | 2,207,583               | 1,646,360        | -                        | -          | 2,207,583        | 1,646,360        |
| <b>Total revenues</b>    | <b>2,366,049</b>        | <b>1,745,706</b> | <b>-</b>                 | <b>-</b>   | <b>2,366,049</b> | <b>1,745,706</b> |
| grams                    | 2,011,484               | 1,578,054        | -                        | -          | 2,011,484        | 1,578,054        |
|                          | 318,216                 | 138,498          | -                        | -          | 318,216          | 138,498          |
| ice                      | -                       | -                | -                        | -          | -                | -                |
|                          | -                       | -                | -                        | -          | -                | -                |
| term debt                | -                       | -                | -                        | -          | -                | -                |
| <b>Total expenses</b>    | <b>2,329,700</b>        | <b>1,716,552</b> | <b>-</b>                 | <b>-</b>   | <b>2,329,700</b> | <b>1,716,552</b> |
| (e) in net assets before | 36,349                  | 29,154           | -                        | -          | 36,349           | 29,154           |
|                          | -                       | -                | -                        | -          | -                | -                |
| (e) in net assets        | 36,349                  | 29,154           | -                        | -          | 36,349           | 29,154           |
|                          | 46,491                  | 17,337           | -                        | -          | 46,491           | 17,337           |
| <b>2010</b>              | <b>\$82,840</b>         | <b>\$46,491</b>  | <b>\$0</b>               | <b>\$0</b> | <b>\$82,840</b>  | <b>\$46,491</b>  |

**Governmental activities.** Governmental activities increased the School's net assets by \$36,349.

**Business-type activities.** Columbus Charter School did not operate any Business-type activities during the year.

### Financial Analysis of the School's Funds

As noted earlier, Columbus Charter School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of Columbus Charter School's governmental funds is to provide information on near-term inflows, outflows, and balances of usable financial resources. Such information is useful in assessing Columbus Charter School's financing requirements. Specifically, unrestricted fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of Columbus Charter School. At the end of the current fiscal year, unrestricted fund balance of the General Fund was \$27,853.

At June 30, 2010, the governmental funds of Columbus Charter School reported a combined fund balance of \$27,853.

**Proprietary Funds.** Columbus Charter School does not operate any proprietary funds.

### Capital Asset and Debt Administration

**Capital assets.** Columbus Charter School's investment in capital assets for its governmental and business-type activities as of June 30, 2010, totals \$54,987 (net of accumulated depreciation). Capital assets include textbooks.

|                          | Governmental Activities |                 | Business-Type Activities |            | Total           |                 |
|--------------------------|-------------------------|-----------------|--------------------------|------------|-----------------|-----------------|
|                          | 2010                    | 2009            | 2010                     | 2009       | 2010            | 2009            |
| School Furnishings       | \$0                     | \$0             | \$0                      | \$0        | \$0             | \$0             |
| Textbooks                | 54,987                  | 24,471          | -                        | -          | 54,987          | 24,471          |
| Transportation equipment | -                       | -               | -                        | -          | -               | -               |
| Vehicles                 | -                       | -               | -                        | -          | -               | -               |
| <b>Total</b>             | <b>\$54,987</b>         | <b>\$24,471</b> | <b>\$0</b>               | <b>\$0</b> | <b>\$54,987</b> | <b>\$24,471</b> |

Additional information about the School's capital assets can be found in Note III.A.2. of the Basic Financial Statements.

**Long-term Debt.** As of June 30, 2010, Columbus Charter School no outstanding debt.

### Economic Factors

The following key economic indicators reflect the growth and prosperity of the School:

- Reduced economic activity in the area may have resulted in attracting some students who might have been attending or planning to attend private schools.
- Increased gasoline prices may serve to reduce enrollment potential from more remote areas.
- Due to statutory enrollment limits, the school was forced to hold a lottery in February, 2010 and admit only 133 of 232 applicants for the upcoming year.

- The school received a total of \$115,747 in federal funds from the “American Recovery and Reinvestment Act.”
- State funds were decreased by 8.0% per student for the 2009-2010 school year, this reduction equated to a \$161,307 decrease based on the current year student count.

### **Requests for Information**

This report is designed to provide an overview of the School's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Mr. Mark Dudeck, Assistant Treasurer, Charter Day School, 7055 Bacon's Way, Leland, NC 28451, 910-655-3600.



Columbus Charter School  
Statement of Net Assets  
June 30, 2010

|                                                  | Primary Government         |                             |           |
|--------------------------------------------------|----------------------------|-----------------------------|-----------|
|                                                  | Governmental<br>Activities | Business-type<br>Activities | Total     |
| <b>ASSETS</b>                                    |                            |                             |           |
| Cash and cash equivalents                        | \$ 2,804                   | \$ -                        | \$ 2,804  |
| Receivables - other (net)                        | 8,330                      | -                           | 8,330     |
| Prepaid items                                    | 25,000                     | -                           | 25,000    |
| Capital assets:                                  |                            |                             |           |
| Land, improvements, and construction in progress | -                          | -                           | -         |
| Other capital assets, net of depreciation        | 54,987                     | -                           | 54,987    |
| Total capital assets                             | 54,987                     | -                           | 54,987    |
| Total assets                                     | 91,121                     | -                           | 91,121    |
| <b>LIABILITIES</b>                               |                            |                             |           |
| Accounts payable - trade                         | 8,281                      | -                           | 8,281     |
| Accrued salaries and wages payable               | -                          | -                           | -         |
| Short-term payables                              | -                          | -                           | -         |
| Long - term liabilities:                         |                            |                             |           |
| Due within one year                              | -                          | -                           | -         |
| Due in more than one year                        | -                          | -                           | -         |
| Total liabilities                                | 8,281                      | -                           | 8,281     |
| <b>NET ASSETS</b>                                |                            |                             |           |
| Invested in capital assets, net of related debt  | 54,987                     | -                           | 54,987    |
| Restricted for:                                  |                            |                             |           |
| Clubs and activities                             | -                          | -                           | -         |
| Unrestricted                                     | 27,853                     | -                           | 27,853    |
| Total net assets                                 | \$ 82,840                  | \$ -                        | \$ 82,840 |

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

Columbus Charter School  
Statement of Activities  
For the Year Ended June 30, 2010

| Functions/Programs                                   | Program Revenues |                      |                                    |                                  | Net (Expense) Revenue and Changes in Net Assets |                          |                |
|------------------------------------------------------|------------------|----------------------|------------------------------------|----------------------------------|-------------------------------------------------|--------------------------|----------------|
|                                                      | Expenses         | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government                              |                          |                |
|                                                      |                  |                      |                                    |                                  | Governmental Activities                         | Business-type Activities | Total          |
| <b>Primary government:</b>                           |                  |                      |                                    |                                  |                                                 |                          |                |
| Governmental Activities:                             |                  |                      |                                    |                                  |                                                 |                          |                |
| Instructional programs                               | \$ 2,011,484     | \$ -                 | \$ 157,430                         | \$ -                             | \$ (1,854,054)                                  | \$ -                     | \$ (1,854,054) |
| Support services                                     | 318,216          | -                    | -                                  | -                                | (318,216)                                       | -                        | (318,216)      |
| Non-programmed charges                               | -                | -                    | -                                  | -                                | -                                               | -                        | -              |
| Interest on short-term debt                          | -                | -                    | -                                  | -                                | -                                               | -                        | -              |
| Total governmental activities                        | 2,329,700        | -                    | 157,430                            | -                                | (2,172,270)                                     | -                        | (2,172,270)    |
| <b>Business-type activities:</b>                     |                  |                      |                                    |                                  |                                                 |                          |                |
| School food service                                  | -                | -                    | -                                  | -                                | -                                               | -                        | -              |
| Fund Raising                                         | -                | -                    | -                                  | -                                | -                                               | -                        | -              |
| Total business-type activities                       | -                | -                    | -                                  | -                                | -                                               | -                        | -              |
| Total primary government                             | \$ 2,329,700     | \$ -                 | \$ 157,430                         | \$ -                             | (2,172,270)                                     | -                        | (2,172,270)    |
| General revenues:                                    |                  |                      |                                    |                                  |                                                 |                          |                |
| Unrestricted county appropriations                   |                  |                      |                                    |                                  | 281,947                                         | -                        | 281,947        |
| Unrestricted State appropriations                    |                  |                      |                                    |                                  | 1,925,636                                       | -                        | 1,925,636      |
| Unrestricted Federal appropriations                  |                  |                      |                                    |                                  | -                                               | -                        | -              |
| Donations - general                                  |                  |                      |                                    |                                  | 500                                             | -                        | 500            |
| Investment earnings, unrestricted                    |                  |                      |                                    |                                  | 531                                             | -                        | 531            |
| Miscellaneous, unrestricted                          |                  |                      |                                    |                                  | 5                                               | -                        | 5              |
| Transfers                                            |                  |                      |                                    |                                  | -                                               | -                        | -              |
| Total general revenues, special items, and transfers |                  |                      |                                    |                                  | 2,208,619                                       | -                        | 2,208,619      |
| Change in net assets                                 |                  |                      |                                    |                                  | 36,349                                          | -                        | 36,349         |
| Net assets-beginning                                 |                  |                      |                                    |                                  | 46,491                                          | -                        | 46,491         |
| Net assets-ending                                    |                  |                      |                                    |                                  | \$ 82,840                                       | \$ -                     | \$ 82,840      |

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

Columbus Charter School  
Balance Sheet  
Governmental Funds  
June 30, 2010

|                                         | Major Funds      |                        | Total Non-major<br>Funds | Total<br>Governmental<br>Funds |
|-----------------------------------------|------------------|------------------------|--------------------------|--------------------------------|
|                                         | General          | State Public<br>School | Federal Grants           |                                |
| <b>ASSETS</b>                           |                  |                        |                          |                                |
| Cash and cash equivalents               | \$ 2,804         | \$ -                   | \$ -                     | \$ 2,804                       |
| Accounts Receivable - other (net)       | 8,330            | -                      | -                        | 8,330                          |
| Prepaid items                           | 25,000           | -                      | -                        | 25,000                         |
| Total assets                            | <u>\$ 36,134</u> | <u>\$ -</u>            | <u>\$ -</u>              | <u>\$ 36,134</u>               |
| <b>LIABILITIES AND FUND BALANCES</b>    |                  |                        |                          |                                |
| Liabilities:                            |                  |                        |                          |                                |
| Accounts payable - trade                | \$ 8,281         | \$ -                   | \$ -                     | \$ 8,281                       |
| Short term note payable - related party | -                | -                      | -                        | -                              |
| Total liabilities                       | <u>8,281</u>     | <u>-</u>               | <u>-</u>                 | <u>8,281</u>                   |
| Fund balances:                          |                  |                        |                          |                                |
| Reserved for:                           |                  |                        |                          |                                |
| Inventories                             | -                | -                      | -                        | -                              |
| Prepaid items                           | 25,000           | -                      | -                        | 25,000                         |
| Unreserved, General Fund                | 2,853            | -                      | -                        | 2,853                          |
| Unreserved, reported in:                |                  |                        |                          |                                |
| Special Revenue Fund                    | -                | -                      | -                        | -                              |
| Total fund balances                     | <u>27,853</u>    | <u>-</u>               | <u>-</u>                 | <u>27,853</u>                  |
| Total liabilities and fund balances     | <u>\$ 36,134</u> | <u>\$ -</u>            | <u>\$ -</u>              |                                |

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

54,987

Liabilities for earned but deferred revenues in fund statements.

-

Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds (Note 5).

-

Net assets of governmental activities

\$ 82,840

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

Columbus Charter School  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2010

|                                                   | Major Funds |                        | Total Non-major<br>Funds | Total<br>Governmental<br>Funds |
|---------------------------------------------------|-------------|------------------------|--------------------------|--------------------------------|
|                                                   | General     | State Public<br>School | Federal Grants           |                                |
| <b>REVENUES</b>                                   |             |                        |                          |                                |
| State of North Carolina                           | \$ -        | \$ 1,925,636           | \$ -                     | \$ 1,925,636                   |
| Local education agencies                          | 281,947     | -                      | -                        | 281,947                        |
| U.S. Government                                   | -           | -                      | 157,430                  | 157,430                        |
| Investment earnings                               | 531         | -                      | -                        | 531                            |
| Other                                             | 505         | -                      | -                        | 505                            |
| Total revenues                                    | 282,983     | 1,925,636              | 157,430                  | 2,366,049                      |
| <b>EXPENDITURES</b>                               |             |                        |                          |                                |
| <b>Current:</b>                                   |             |                        |                          |                                |
| Instructional programs                            | 225,586     | 1,632,409              | 153,489                  | 2,011,484                      |
| Support services                                  | 51,564      | 252,817                | 3,941                    | 308,322                        |
| Non-programmed charges                            | -           | -                      | -                        | -                              |
| Capital outlay                                    | -           | 40,410                 | -                        | 40,410                         |
| <b>Debt service:</b>                              |             |                        |                          |                                |
| Principal                                         | -           | -                      | -                        | -                              |
| Interest and other charges                        | -           | -                      | -                        | -                              |
| Total expenditures                                | 277,150     | 1,925,636              | 157,430                  | 2,360,216                      |
| Excess (deficiency) of revenues over expenditures | 5,833       | -                      | -                        | 5,833                          |
| <b>OTHER FINANCING SOURCES (USES)</b>             |             |                        |                          |                                |
| Transfers from other funds                        | -           | -                      | -                        | -                              |
| Proceeds from long-term note                      | -           | -                      | -                        | -                              |
| Repayment to long-term note                       | -           | -                      | -                        | -                              |
| Capital lease obligations issued                  | -           | -                      | -                        | -                              |
| Total other financing sources (uses)              | -           | -                      | -                        | -                              |
| Net change in fund balance                        | 5,833       | -                      | -                        | 5,833                          |
| Fund balances-beginning                           | 22,020      | -                      | -                        | 22,020                         |
| Fund balances-ending                              | \$ 27,853   | \$ -                   | \$ -                     | \$ 27,853                      |

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

**Columbus Charter School**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2010**

Amounts reported for governmental activities in the statement of activities are different because:

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                  |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| Net changes in fund balances - total governmental funds                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | \$ 5,833         |
| Change in fund balance due to change in reserve for inventory                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | -                |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period                                                                                                                                                                                                                                                                                     | 30,516           |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                  |
| Amount of donated assets                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | -                |
| Difference in accrued investment income and income reported in fund statements                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | -                |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | -                |
| Difference in accrued interest payable and interest expensed on fund statements                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | -                |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.                                                                                                                                                                                                                                                                                                                                                                                                          |                  |
| Rounding                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | -                |
| Compensated absences                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | -                |
| Loss on disposal of assets                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | -                |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <hr/>            |
| Total changes in net assets of governmental activities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <u>\$ 36,349</u> |

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

## Columbus Charter School, North Carolina

### Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2010

#### I. Summary of Significant Accounting Policies

The accounting policies of Columbus Charter School, North Carolina (School) conform to generally accepted accounting principles (GAAP) as applicable to governments. Charter schools are established by non-profit entities. Because of the authority of the State Board of Education (SBE) to unilaterally abolish a school with all the assets reverting to a local education agency, the charter schools in North Carolina follow the governmental reporting model, as used by local education agencies. The following is a summary of the more significant accounting policies:

##### A. Reporting Entity

The Columbus Charter School is a public school operated by a local non-profit corporation, serving approximately 354 students. The School operates under an approved charter received from the SBE, and applied for under the provisions of General Statute (G.S.) 115C-238.29B. G.S. 115C-238.29F(f)(1) states that a charter school shall be subject to the audit requirements adopted by the SBE, which includes the audit requirements established by G.S. 115C-447 of the School Budget and Fiscal Control Act (SBFCA). G.S. 115C-447 also requires financial statements to be prepared in accordance with GAAP.

##### B. Basis of Presentation

*Government-wide Statements:* The statement of net assets and the statement of activities display information about the School. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the School. Governmental activities generally are financed through intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the School and for each function of the School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the School's funds. Separate statements for each fund category - *governmental* and *proprietary* - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The School reports the following major governmental funds:

*General Fund.* The General Fund is the general operating fund of the School. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund.

*State Public School Fund.* The State Public School Fund includes appropriations from the Department of Public Instruction for current operating needs of the public school system.

The School reports the following non-major governmental fund:

*Federal Fund.* The Federal fund is used to account for the Federal moneys that are passed through the State Department of Public Instruction to the School.

#### C. Measurement Focus and Basis of Accounting

*Government-wide and Proprietary Fund Financial Statements.* The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the School gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. These could include federal, State, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the School funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the School's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

All governmental and business-type activities and enterprise funds of the School follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

#### D. Budgetary Data

Annual budgets are adopted for all funds on a government-wide basis. All budgets are prepared using the modified accrual basis of accounting.

The governing board has voluntarily established the policy, as a sound business practice, that expenditures may not exceed appropriations, for all of the School's funds, based on the adopted budget and subsequent amendments. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget presented in the supplemental data represents the budget of the School at June 30, 2010. All appropriations lapse at year-end.

## E. Assets, Liabilities, and Fund Equity

### 1. Deposits and Investments

All deposits of the School are made in a local bank, whose accounts are FDIC insured. Also, the School has established time deposit accounts such as money market accounts.

### 2. Cash and Cash Equivalents

The School pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

### 3. Capital Assets

The School's capital assets are recorded at original cost. Donated assets are listed at their estimated fair value at the date of donation. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

It is the policy of the School to capitalize all capital assets costing more than \$1,000 with an estimated useful life of two or more years. In addition, other items which are purchased and used in large quantities such as student desks and office furniture are capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. All depreciable assets are depreciated using the straight-line method of depreciation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

|           |              |
|-----------|--------------|
|           | <u>Years</u> |
| Textbooks | 5            |

### 4. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets.

In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

### 5. Compensated Absences

Employees earn twelve days of paid time off each year. A maximum of twenty days may be accumulated. Since the School has no obligation for paid time off; no paid time off accrual has been made.

### 6. Net Assets/Fund Balances

Net assets in the government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

In the governmental fund financial statements, reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The governmental fund types classify fund balances as follows:

Reserved:

Reserved for prepaid items - portion of fund balance not available for appropriation because it represents the year-end balance of prepaid rent on the school facility, which is not an expendable, available resource.

Reserved for inventories - portion of fund balance not available for appropriation because it represents the year-end fund balance of ending inventories, which are not expendable, available resources.

Unreserved:

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation which has been designated for the adopted 2010-11 budget ordinance.

Undesignated - portion of total fund balance available for appropriation which is uncommitted at year-end.

7. The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment of \$54,987 consists of several elements as follows:

| <u>DESCRIPTION</u>                                                                                                                                                                                        | <u>AMOUNT</u>    |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| Capital assets used in governmental activities are not financial resources are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column). | \$ 69,675        |
| Less accumulated depreciation                                                                                                                                                                             | <u>(14,688)</u>  |
| Total adjustment                                                                                                                                                                                          | <u>\$ 54,987</u> |

F. Revenues, Expenditures, and Expenses

1. Funding

The Columbus Charter School is funded by the State Board of Education, receiving (i) an amount equal to the average per pupil allocation for the average daily membership (ADM) from the local school administrative unit allotments in which the school is located (i.e. Columbus County Board of Education) for each child attending the School except for the allocation for children with special needs and (ii) an additional amount for each child attending the School who is a child with special needs [G.S. 115C-238.29H(a)]. Additionally, the appropriate local school administrative unit(s) transfers to the School, for each student who resides in the local administrative unit and attends the charter school, an amount equal to the per pupil local current expense appropriation to the respective local school administrative unit for the fiscal year. [G.S. 115C-238.29H(b)]. For the fiscal year ended June 30, 2010, the Columbus Charter School received funding from the Boards of Education for Bladen County, Columbus County, Robeson County and Whiteville City.

2. Reconciliation between government-wide and fund statements

The governmental fund statement of revenues, expenditures, and changes in fund balance is followed by a reconciliation between the change in fund balance – governmental activities and the change in net assets – governmental funds as reported on the government-wide statement of activities. The net difference of \$30,516 between the two amounts consists of the following elements:

DESCRIPTIONAMOUNT

Capital outlay expenditures recorded in the fund statements but capitalized as assets on the statement of activities.

\$ 40,410

Depreciation expense that is recorded on the statement of activities but not in the fund statements.

(9,894)

Total

\$ 30,516

II. Stewardship, Compliance, and Accountability

A. Material Violations of Finance-Related Legal and Contractual Provisions  
Noncompliance with North Carolina General Statutes

None.

Contractual Violations

None.

B. Deficit Fund Balance or Net Assets of Individual Funds

None.

III. Detail Notes on All Funds

A. Assets

1. Deposits

At June 30, 2010, the School had deposits with banks and savings and loans with a carrying amount of \$2,804. The bank balance with the financial institutions was \$13,440, which was covered by federal depository insurance. The School invests excess cash overnight in U.S. government securities in accordance with its deposit policy for custodial credit risk.

2. Capital Assets

Capital asset activity for the year ended June 30, 2010, was as follows:

|                                             | Beginning<br>Balances | Increases | Decreases | Ending<br>Balances |
|---------------------------------------------|-----------------------|-----------|-----------|--------------------|
| Governmental activities:                    |                       |           |           |                    |
| Capital assets being depreciated:           |                       |           |           |                    |
| Textbooks                                   | \$ 29,265             | \$ 40,410 | \$ -      | \$ 69,675          |
| Total capital assets being depreciated      | 29,265                | 40,410    | -         | 69,675             |
| Less accumulated depreciation for:          |                       |           |           |                    |
| Textbooks                                   | 4,794                 | 9,894     | -         | 14,688             |
| Total accumulated depreciation              | 4,794                 | \$ 9,894  | \$ -      | 14,688             |
| Total capital assets being depreciated, net | 24,471                |           |           | 54,987             |
| Governmental activity capital assets, net   | <u>\$ 24,471</u>      |           |           | <u>\$ 54,987</u>   |

Depreciation expense was charged to governmental functions as follows:

|                        |                 |
|------------------------|-----------------|
| Instructional programs | <u>\$ 9,894</u> |
|------------------------|-----------------|

B. Liabilities

1. Pension Plan Obligations

a. Retirement Plan

The School maintains a simple IRA retirement plan for the benefit of its employees. The School will match up to a maximum of 3% of the employee's gross salary. Employees may contribute an unlimited portion of their salary into the retirement plan, with tax deductible amounts up to the amounts allowable by the Internal Revenue Service. The Columbus Charter School made all required contributions. For the year ended June 30, 2010, the retirement cost to the School was \$19,557, with employees contributing \$21,982.

2. Risk Management

The School is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School maintains general liability and errors and omissions insurance coverage of \$1 million per occurrence with a commercial carrier.

The School has obtained a major medical insurance policy for its personnel through a commercial insurer. Through the plan, permanent, full-time employees of the School are eligible to receive health care benefits.

The School carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and claims have not exceeded coverage in any of the past two fiscal years.

3. Short-Term Obligations

The School borrowed a total of \$380,000 from Charter Day School, a related party, for working capital during the year ended June 30, 2010. The balance had been repaid at June 30, 2010.

4. Long-Term Obligations

a. Operating Leases

The School rents space for the School under a ten-year lease from the Roger Bacon Academy. The School paid a total of \$319,069 on this lease agreement for the year ended June 30, 2010. Future lease payments are included in the schedule below.

The School also has a lease agreement for the rental of computers, furniture and equipment with Coastal Habitat Conservancy, LLC. They paid a total of \$43,641 on this lease agreement during the year ended June 30, 2010.

Future minimum lease payments are included in the schedule below.

| <u>Year Ending June 30</u> |            |
|----------------------------|------------|
| 2011                       | \$ 392,110 |
| 2012                       | 392,110    |
| 2013                       | 392,110    |
| 2014                       | 392,110    |

#### IV. Related Party Transactions

Columbus Charter School has agreements for management services and property use with Roger Bacon Academy, Inc. Roger Bacon Academy, in turn, rents the land, building, and equipment from Coastal Habitat Conservancy, LLC, which owns all the physical facilities and most of the equipment used by the School. The owner of Roger Bacon Academy and Coastal Habitat Conservancy, LLC, is also on the Board of Trustees of Columbus Charter School.

On June 13, 2007, Columbus Charter School entered into an agreement with Roger Bacon Academy for management and faculty services. Roger Bacon Academy provides supervision and administration services for the management, operation and maintenance of the School in accordance with the educational program as adopted by the Board of the School and included in its operational documents. Any documents or policies adopted by the Board of the School may be modified from time to time in the sole and absolute discretion of the Board.

Roger Bacon Academy is entitled to compensation for its services based on 16% of revenues, as defined in the management agreement. The agreement was approved by the Board of Columbus Charter School, State Board of Education and the Internal Revenue Service. During the fiscal year ended June 30, 2010, management and maintenance fees were paid to Roger Bacon Academy in the amount of \$615,218. Rent paid to Roger Bacon Academy for the use of facility and equipment was \$319,069 for the year ended June 30, 2010. Future obligations under the management agreement are subject to change and are indeterminable since terms are based on projected enrollments and revenues.

Mark Cramer, superintendent of Columbus Charter School, is an employee of the Roger Bacon Academy. Mr. Cramer is also on the board of trustees. The School made no direct payments to Mr. Cramer during the year ended June 30, 2010.

The School borrowed \$380,000 from Charter Day School, a related party, during the school year. As of June 30, 2010 the School had repaid all the funds.

Charter Day School paid the second quarter unemployment insurance payment of \$3,221 to the Employment Security Commission on behalf of Columbus Charter. Columbus repaid this money on July 27, 2010.

#### V. Summary Disclosure of Significant Contingencies

##### Federal and State Assisted Programs

The School has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

#### VI. Subsequent Events

The School has evaluated subsequent events from the date of the balance sheet through the date the report is available to be issued which is the independent auditors' report. The School has not evaluated subsequent events after that date. There were no subsequent events during this period that require disclosure.

## **NON-MAJOR FUNDS**

Federal Grants Fund -

This fund is used to account for the Federal monies that are passed through the State Department of Public Instruction to the School.

## Statement 2

Columbus Charter School  
Non-major Governmental Funds  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances  
For the Year Ended June 30, 2010

|                                | Special<br>Revenue Funds |
|--------------------------------|--------------------------|
|                                | Totals                   |
|                                | 2010                     |
| Revenues:                      |                          |
| U.S. Government:               |                          |
| Title I Basic Funding          | \$ 23,761                |
| Idea VI-B Handicapped          | 17,922                   |
| Education Stabilization Funds  | 71,968                   |
| Title I - ARRA                 | 7,807                    |
| Idea VI-B - ARRA               | 35,972                   |
| Total                          | <u>157,430</u>           |
| Donations                      | -                        |
| Other                          | -                        |
| Total                          | <u>-</u>                 |
| Total revenues                 | <u>157,430</u>           |
| Expenditures:                  |                          |
| Current:                       |                          |
| Instructional programs:        |                          |
| Regular programs               | 71,968                   |
| Special programs               | 81,521                   |
| Other                          | -                        |
| Total                          | <u>153,489</u>           |
| Support services:              |                          |
| Pupil services                 | 3,941                    |
| Instructional staff services   | -                        |
| General administrative         | -                        |
| School administrative          | -                        |
| Club and activity expenditures | -                        |
| Total                          | <u>3,941</u>             |
| Non-programmed charges:        |                          |
| Other                          | -                        |
| Total                          | <u>-</u>                 |
| Total expenditures             | <u>157,430</u>           |
| Revenues over expenditures     | <u>-</u>                 |
| Fund balances:                 |                          |
| Beginning of year, July 1      | -                        |
| End of year, June 30           | <u>\$ -</u>              |

Columbus Charter School  
All Fund Types Except Federal Grants Fund  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2010

|                                          | 2010             |                  |                                        |
|------------------------------------------|------------------|------------------|----------------------------------------|
|                                          | Final<br>Budget  | Actual           | Favorable<br>(Unfavorable)<br>Variance |
| Revenues:                                |                  |                  |                                        |
| State of North Carolina                  | \$ 1,925,636     | \$ 1,925,636     | \$ -                                   |
| Board(s) of Education:                   |                  |                  |                                        |
| Bladen County                            | 101,833          | 101,857          | 24                                     |
| Columbus County                          | 112,088          | 112,093          | 5                                      |
| Robeson County                           | -                | 791              | 791                                    |
| Whiteville City                          | 67,165           | 67,206           | 41                                     |
| Investment earnings                      | 500              | 531              | 31                                     |
| Others                                   | 1,200            | 505              | (695)                                  |
| Total revenues                           | <u>2,208,422</u> | <u>2,208,619</u> | <u>197</u>                             |
| Expenditures:                            |                  |                  |                                        |
| Salaries & Bonuses                       | 749,940          | 749,798          | 142                                    |
| Benefits                                 | 209,600          | 209,448          | 152                                    |
| Books & Supplies                         | 75,740           | 75,440           | 300                                    |
| Technology                               | 4,000            | 3,956            | 44                                     |
| Non Capitalized Equipment                | 17,700           | 17,697           | 3                                      |
| Contracted Student Services              | 13,520           | 13,495           | 25                                     |
| Staff Development                        | 5,300            | 5,268            | 32                                     |
| Administrative Services                  | 657,683          | 656,927          | 756                                    |
| Insurances                               | 21,000           | 20,874           | 126                                    |
| Rents & Debt Service                     | 392,361          | 392,360          | 1                                      |
| Facilities                               | 23,750           | 23,554           | 196                                    |
| Utilities                                | 33,600           | 33,510           | 90                                     |
| Nutrition & Food                         | 600              | 459              | 141                                    |
| Transportation & Travel                  | -                | -                | -                                      |
| Capital Purchases                        | -                | -                | -                                      |
| Total expenditures                       | <u>2,204,794</u> | <u>2,202,786</u> | <u>2,008</u>                           |
| Other financing sources (uses):          |                  |                  |                                        |
| Fund balance appropriated                | -                | -                | -                                      |
| Proceeds from loan                       | -                | -                | -                                      |
| Total other financing sources and (uses) | <u>-</u>         | <u>-</u>         | <u>-</u>                               |
| Excess of revenue over<br>expenditures   | <u>\$ 3,628</u>  | <u>\$ 5,833</u>  | <u>\$ 2,205</u>                        |

Columbus Charter School  
Federal Grants Fund  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2010

|                                        | 2010            |                |                                        |
|----------------------------------------|-----------------|----------------|----------------------------------------|
|                                        | Final<br>Budget | Actual         | Favorable<br>(Unfavorable)<br>Variance |
| Revenues:                              |                 |                |                                        |
| Idea VI-B Sliver Grant                 | \$ 1,000        | \$ -           | \$ (1,000)                             |
| Title I Basic                          | 27,513          | 23,761         | (3,752)                                |
| IDEA VI-B Handicapped                  | 35,274          | 17,922         | (17,352)                               |
| Improving Teacher Quality              | 4,041           | -              | (4,041)                                |
| Education Stabilization Funds          | 71,968          | 71,968         | -                                      |
| Title I - ARRA                         | 16,101          | 7,807          | (8,294)                                |
| Title VI-B - ARRA                      | 53,341          | 35,972         | (17,369)                               |
| Total revenues                         | <u>209,238</u>  | <u>157,430</u> | <u>(51,808)</u>                        |
| Expenditures:                          |                 |                |                                        |
| Salaries & Bonuses                     | 127,716         | 127,049        | 667                                    |
| Benefits                               | 12,574          | 12,459         | 115                                    |
| Supplies and Materials                 | 4,023           | -              | 4,023                                  |
| Contracted EC Services                 | 39,315          | 17,922         | 21,393                                 |
| Workshop Expense                       | -               | -              | -                                      |
| Unbudgeted Federal Expenses            | 25,610          | -              | 25,610                                 |
| Total expenditures                     | <u>209,238</u>  | <u>157,430</u> | <u>51,808</u>                          |
| Excess of revenue over<br>expenditures | <u>\$ -</u>     | <u>\$ -</u>    | <u>\$ -</u>                            |

COMPLIANCE SECTION  
COLUMBUS CHARTER SCHOOL  
WHITEVILLE, NORTH CAROLINA  
JUNE 30, 2010

**PETWAY  
MILLS &  
PEARSON, PA**

CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS

Board of Directors  
Columbus Charter School  
Whiteville, North Carolina

We have audited the accompanying financial statements of the governmental activities and each major fund of the Columbus Charter School, North Carolina as of and for the year ended June 30, 2010, which collectively comprises the Columbus Charter School's basic financial statements and have issued our report thereon dated October 25, 2010. 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 Columbus Charter School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency or combination of significant deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 Columbus Charter School'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 Board of Directors, management, others within the organization, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA  
Certified Public Accountants  
Zebulon, North Carolina

October 25, 2010

PM&P

PETWAY  
MILLS &  
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
STATE PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH APPLICABLE SECTIONS OF OMB CIRCULAR A-133 AND THE  
STATE SINGLE AUDIT IMPLEMENTATION ACT

Board of Directors  
Columbus Charter School  
Whiteville, North Carolina

COMPLIANCE

We have audited the compliance of the Columbus Charter School, North Carolina, with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of its major State programs for the year ended June 30, 2010. The Columbus Charter School's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of the Columbus Charter School's management. Our responsibility is to express an opinion on the Columbus Charter School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, as described in the Audit Manual for Governmental Auditors in North Carolina, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the Columbus Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Columbus Charter School's compliance with those requirements.

In our opinion, Columbus Charter School complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2010.

INTERNAL CONTROL OVER COMPLIANCE

The management of the Columbus Charter School is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the Columbus Charter School's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

A deficiency in internal control over compliance 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 and correct noncompliance with a type of compliance requirement of a State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of significant deficiencies, in internal control in compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the Board of Directors, management, others within the entity, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
PETWAY MILLS & PEARSON, PA  
Certified Public Accountants  
Zebulon, North Carolina

October 25, 2010

COLUMBUS CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010

SECTION I. -- SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified.

Internal control over financial reporting:

|                                                                                            |           |                            |
|--------------------------------------------------------------------------------------------|-----------|----------------------------|
| Material weakness(es) identified?                                                          | _____ yes | <u>  X  </u> no            |
| Significant deficiency (ies) identified that are not considered to be material weaknesses? | _____ yes | <u>  X  </u> none reported |

|                                                      |           |                 |
|------------------------------------------------------|-----------|-----------------|
| Noncompliance material to financial statements noted | _____ yes | <u>  X  </u> no |
|------------------------------------------------------|-----------|-----------------|

State Awards

Internal control over major state programs:

|                                                                                            |           |                            |
|--------------------------------------------------------------------------------------------|-----------|----------------------------|
| Material weakness(es) identified?                                                          | _____ yes | <u>  X  </u> no            |
| Significant deficiency (ies) identified that are not considered to be material weaknesses? | _____ yes | <u>  X  </u> none reported |

Type of auditors' report issued on compliance for major state programs: Unqualified.

|                                                                                                                   |           |                 |
|-------------------------------------------------------------------------------------------------------------------|-----------|-----------------|
| Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 | _____ yes | <u>  X  </u> no |
|-------------------------------------------------------------------------------------------------------------------|-----------|-----------------|

Identification of major state programs:

Program Name

State Public School Funds (PRC 036 - Charter School Funds)

COLUMBUS CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010

SECTION II. -- FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III. -- STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported.

COLUMBUS CHARTER SCHOOL  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2010

SECTION II. -- FINANCIAL STATEMENT FINDINGS

None required.

SECTION III. -- STATE AWARD FINDINGS AND QUESTIONED COSTS

None required.

COLUMBUS CHARTER SCHOOL  
SUMMARY SCHEDULE OF PRIOR YEARS' AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2010

**Finding 09-1:** The School has met the North Carolina general statute requirement that the exceptional needs coordinator be certified. This finding has been resolved at June 30, 2010.

COLUMBUS CHARTER SCHOOL  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2010

| GRANTOR/PASS-THROUGH GRANTOR<br>PROGRAM TITLE                 | FEDERAL<br>CFDA<br>NUMBER | STATE/<br>PASS-THROUGH<br>GRANTOR'S<br>NUMBER | EXPENDITURES               |
|---------------------------------------------------------------|---------------------------|-----------------------------------------------|----------------------------|
| FEDERAL GRANTS:                                               |                           |                                               |                            |
| CASH ASSISTANCE:                                              |                           |                                               |                            |
| <u>US Department of Education</u>                             |                           |                                               |                            |
| <b>Title I, Part A Cluster</b>                                |                           |                                               |                            |
| Title I Basic                                                 |                           | 84.010                                        | \$ 23,761                  |
| Title I - ARRA                                                |                           | 84.389                                        | 7,807                      |
| Total Title I, Part Cluster                                   |                           |                                               | <u>31,568</u>              |
| <b>Special Education Cluster</b>                              |                           |                                               |                            |
| Idea VI-B Handicapped                                         |                           | 84.027                                        | 17,922                     |
| Title VI-B - ARRA                                             |                           | 84.391                                        | 35,972                     |
| Total Special Education Cluster                               |                           |                                               | <u>53,894</u>              |
| ARRA - Educational Stabilization Funds                        |                           | 84.394                                        | <u>71,968</u>              |
| <b>TOTAL FEDERAL CASH ASSISTANCE</b>                          |                           |                                               | <b>157,430</b>             |
| NC STATE GRANTS:                                              |                           |                                               |                            |
| CASH ASSISTANCE                                               |                           |                                               |                            |
| <u>NC Department of Public Instruction</u>                    |                           |                                               |                            |
| State Public School Funds<br>(PRC 36 -- Charter School Funds) |                           | XXXX                                          | <u>1,925,636</u>           |
| <b>TOTAL FEDERAL AND STATE AWARDS</b>                         |                           |                                               | <b>\$ <u>2,083,066</u></b> |

Note to the Schedule of Expenditures of Federal and State Financial Awards:

Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of Columbus Charter School and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**PETWAY  
MILLS &  
PEARSON, PA**

CERTIFIED PUBLIC ACCOUNTANTS

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To the Board of Directors  
Columbus Charter School

We have audited the financial statements of the governmental activities and each major fund of Columbus Charter School for the year ended June 30, 2010. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards* and OMB Circular A-133 as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 7, 2010. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under *Government Auditing Standards* and OMB Circular A-133

In planning and performing our audit, we considered Columbus Charter School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

As part of obtaining reasonable assurance about whether Columbus Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133 and the State Single Audit Implementation Act, we examined, on a test basis, evidence about Columbus Charter School's compliance with the types of compliance requirements prescribed by the State of North Carolina applicable to its major State program for the purpose of expressing an opinion on Columbus Charter School's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Columbus Charter School's compliance with those requirements.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Columbus Charter School's are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2010. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about

past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the depreciation expense is based on estimated useful lives. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosures affecting financial statements were:

The disclosure of capital assets in Note III.A.2 to the financial statements.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in aggregate, to each opinion unit's financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 25, 2010.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Board of Directors and management of Columbus Charter School and is not intended to be and should not be used by anyone other than these specified parties.

*Petway Mills & Pearson, PA*  
PETWAY MILLS & PEARSON, PA  
Certified Public Accountants  
Zebulon, North Carolina

October 25, 2010