

FINANCIAL STATEMENTS
COLUMBUS CHARTER SCHOOL
WHITEVILLE, NORTH CAROLINA
JUNE 30, 2011

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To the Board of Trustees
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, 2011. 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 20, 2011. 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 2011. 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 31, 2011.

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.

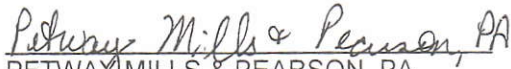
Other Audit Findings or Issues

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.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information compiles with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Trustees 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
Certified Public Accountants
Zebulon, North Carolina

October 31, 2011

COLUMBUS CHARTER SCHOOL
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JUNE 30, 2011

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FINANCIAL SECTION
COLUMBUS CHARTER SCHOOL
WHITEVILLE, NORTH CAROLINA
JUNE 30, 2011

PETWAY MILLS & PEARSON, PA

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Management
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Board of Trustees
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, 2011 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 of America. 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, 2011, 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 31, 2011 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 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 31, 2011

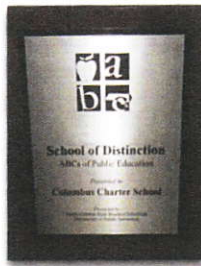
Columbus Charter School



PREPARE EXPLORE DISCOVER



35 Bacon's Way, Whiteville, NC 28472
910-641-4042 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 quality K-6 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

- Tuition Free
- Set on 142 Scenic Acres in Columbus County
- Just 5 minutes from downtown Whiteville
- 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
- Teacher dress codes
- On Site, Educational Day Care
- After School Clubs and Activities
- Highest proficiency rates for South Central Region of NC!
- 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.*





Management's Discussion and Analysis
Columbus Charter School
June 30, 2011

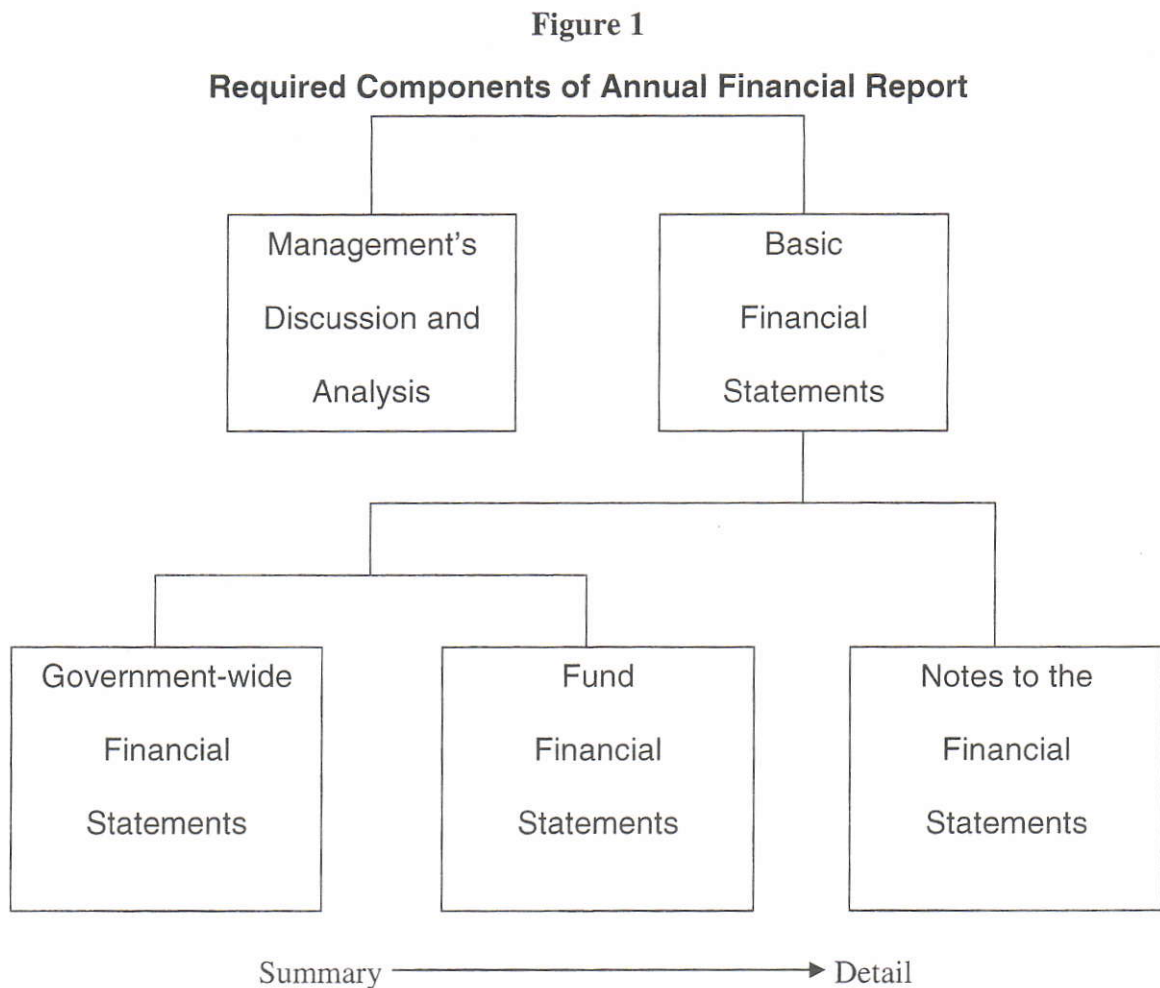
As management of Columbus Charter School, we offer readers of Columbus Charter School's audited financial statements this narrative overview and analysis of the financial activities of Columbus Charter School for the fiscal year ended June 30, 2011. We encourage readers to read the information presented 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 \$213,304 (net assets).
- The school's total net assets increased by \$130,464, 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 \$84,757, an increase of \$56,904 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 \$128,547, an increase of \$73,560 in comparison with the prior year.
- Enrollment continued to increase at the school in the 2010-2011 school year. The enrollment for the 2010-2011 school year was 488 which was an increase over the 2009-2010 school year enrollment of 355. The current initial enrollment for the 2011-2012 school year has increased to 595 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.



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 22 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 \$213,304 as of June 30, 2011. As of June 30, 2010, the net assets of Columbus Charter School stood at \$82,840. The School's net assets increased by \$130,464 for the fiscal year ended June 30, 2011, compared to an increase of \$36,349 for the fiscal year ended June 30, 2010. The amount of \$128,547 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. Although Columbus Charter School's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the School's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$84,757 is

Management's Discussion and Analysis
Columbus Charter School
June 30, 2011



unrestricted. In 2010, the amount of net assets invested in capital assets net of related debt was \$54,987. The remaining \$27,853 was unrestricted net assets for that year.

Figure 2
Columbus Charter School's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 280,365	\$ 36,134	\$ -	\$ -	\$ 280,365	\$ 36,134
Due from other governments	-	-	-	-	-	-
Capital assets, net of depreciation	128,547	54,987	-	-	128,547	54,987
Total assets	408,912	91,121	-	-	408,912	91,121
Other liabilities	195,608	8,281	-	-	195,608	8,281
Long-term liabilities outstanding	-	-	-	-	-	-
Total liabilities	195,608	8,281	-	-	195,608	8,281
Invested in capital assets, net						
of related debt	128,547	54,987	-	-	128,547	54,987
Restricted	-	-	-	-	-	-
Unrestricted	84,757	27,853	-	-	84,757	27,853
Total net assets	\$ 213,304	\$ 82,840	\$ -	\$ -	\$ 213,304	\$ 82,840

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	
	2011	2010	2011	2010	2011	2010
Other Revenues	\$ 370	\$ 1,036	-	-	\$ 370	\$ 1,036
Charges for Services	-	-	-	-	-	-
Operating Grants and Contributions	300,813	157,430	-	-	300,813	157,430
County, State, and Federal Funds	3,114,319	2,207,583	-	-	3,114,319	2,207,583
Total revenues	3,415,502	2,366,049	-	-	3,415,502	2,366,049
Instructional Programs	2,632,879	2,011,484	-	-	2,632,879	2,011,484
Support services	652,159	318,216	-	-	652,159	318,216
Fund raising	-	-	-	-	-	-
Interest on short-term debt	-	-	-	-	-	-
Total expenses	3,285,038	2,329,700	-	-	3,285,038	2,329,700
Increase (Decrease) in net assets before transfers	130,464	36,349	-	-	130,464	36,349
Transfers	-	-	-	-	-	-
Increase (Decrease) in net assets	130,464	36,349	-	-	130,464	36,349
Net assets, July 1	82,840	46,491	-	-	82,840	46,491
Net assets, June 30	\$ 213,304	\$ 82,840	-	-	\$ 213,304	\$ 82,840

Governmental activities. Governmental activities increased the School's net assets by \$130,464.

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

Management's Discussion and Analysis
Columbus Charter School
June 30, 2011



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 \$84,757.

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, 2011, totals \$128,547 (net of accumulated depreciation). Capital assets include textbooks.

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Computers	\$ 1,552	\$ -	\$ -	\$ -	\$ 1,552	\$ -
Textbooks	126,995	54,987	-	-	126,995	54,987
Total	<u>\$ 128,547</u>	<u>\$ 54,987</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 128,547</u>	<u>\$ 54,987</u>

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, 2011, Columbus Charter School no outstanding debt.

Economic Factors

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

- Due to statutory enrollment limits, the school was forced to hold a lottery in February, 2011 and admit only 183 of 347 applicants for the upcoming year.
- With the lifting of the "Charter School Cap" it is important for the school to maintain its unrestricted funds surplus since there now is a possible impact with other competing charter schools.

As in past years, such factors evidence the demand on the school by the parents and community that will require additional financing in future years. As specified in the charter application, Columbus Charter School intends to continue expansion and replication in nearby counties to try and meet the local demands subject to constraints on the available land and on available financing. It was partially for this reason that the fund balance was substantially increased this year.

Management's Discussion and Analysis
Columbus Charter School
June 30, 2011



Careful management of the School's financial resources and building relationships with possible new major donors will continue as in the past; however there is no guarantee that future financing will be available or that any major donors can be found to fund continued expansion.

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, 2011

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Cash and cash equivalents	\$ 271,512	\$ -	\$ 271,512
Receivables - other (net)	8,853	-	8,853
Prepaid items	-	-	-
Capital assets:			
Land, improvements, and construction in progress	-	-	-
Other capital assets, net of depreciation	128,547	-	128,547
Total capital assets	128,547	-	128,547
Total assets	408,912	-	408,912
LIABILITIES			
Accounts payable - trade	129,208	-	129,208
Accrued salaries and wages payable	66,400	-	66,400
Short-term payables	-	-	-
Long - term liabilities:			
Due within one year	-	-	-
Due in more than one year	-	-	-
Total liabilities	195,608	-	195,608
NET ASSETS			
Invested in capital assets, net of related debt	128,547	-	128,547
Restricted for:			
Clubs and activities	-	-	-
Unrestricted	84,757	-	84,757
Total net assets	\$ 213,304	\$ -	\$ 213,304

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, 2011

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
Primary government:							
Governmental Activities:							
Instructional programs	\$ 2,632,879	\$ -	\$ 292,273	\$ -	\$ (2,340,606)	\$ -	\$ (2,340,606)
Support services	652,159	-	8,540	-	(643,619)	-	(643,619)
Non-programmed charges	-	-	-	-	-	-	-
Interest on short-term debt	-	-	-	-	-	-	-
Total governmental activities	3,285,038	-	300,813	-	(2,984,225)	-	(2,984,225)
Business-type activities:							
School food service	-	-	-	-	-	-	-
Fund Raising	-	-	-	-	-	-	-
Total business-type activities	-	-	-	-	-	-	-
Total primary government	\$ 3,285,038	\$ -	\$ 300,813	\$ -	(2,984,225)	-	(2,984,225)
General revenues:							
Unrestricted county appropriations					406,225	-	406,225
Unrestricted State appropriations					2,708,094	-	2,708,094
Unrestricted Federal appropriations					-	-	-
Donations - general					-	-	-
Investment earnings, unrestricted					274	-	274
Miscellaneous, unrestricted					96	-	96
Transfers					-	-	-
Total general revenues, special items, and transfers					3,114,689	-	3,114,689
Change in net assets					130,464	-	130,464
Net assets-beginning					82,840	-	82,840
Net assets-ending					\$ 213,304	\$ -	\$ 213,304

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

Columbus Charter School
Balance Sheet
Governmental Funds
June 30, 2011

	Major Funds		Total Non-major Funds	Total Governmental Funds
	General	State Public School	Federal Grants	
ASSETS				
Cash and cash equivalents	\$ 271,512	\$ -	\$ -	\$ 271,512
Accounts Receivable - other (net)	8,853	-	-	8,853
Prepaid items	-	-	-	-
Total assets	<u>\$ 280,365</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 280,365</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable - trade	\$ 129,208	\$ -	\$ -	\$ 129,208
Accrued salaries and wages payable	66,400	-	-	66,400
Total liabilities	<u>195,608</u>	<u>-</u>	<u>-</u>	<u>195,608</u>
Fund balances:				
Nonspendable:				
Inventories	-	-	-	-
Prepaid items	-	-	-	-
Restricted:				
Capital outlay	-	-	-	-
Assigned:				
Clubs and Activities	-	-	-	-
Unassigned:	84,757	-	-	84,757
Total fund balances	<u>84,757</u>	<u>-</u>	<u>-</u>	<u>84,757</u>
Total liabilities and fund balances	<u>\$ 280,365</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.

128,547

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

\$ 213,304

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, 2011

	Major Funds		Total Non-major Funds	Total Governmental Funds
	General	State Public School	Federal Grants	
REVENUES				
State of North Carolina	\$ -	\$ 2,708,094	\$ -	\$ 2,708,094
Local education agencies	406,225	-	-	406,225
U.S. Government	-	-	300,813	300,813
Investment earnings	274	-	-	274
Other	96	-	-	96
Total revenues	406,595	2,708,094	300,813	3,415,502
EXPENDITURES				
Current:				
Instructional programs	257,451	2,083,155	292,273	2,632,879
Support services	57,298	567,310	8,540	633,148
Non-programmed charges	-	-	-	-
Capital outlay	34,942	57,629	-	92,571
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	349,691	2,708,094	300,813	3,358,598
Excess (deficiency) of revenues over expenditures	56,904	-	-	56,904
OTHER FINANCING SOURCES (USES)				
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	56,904	-	-	56,904
Fund balances-beginning	27,853	-	-	27,853
Fund balances-ending	\$ 84,757	\$ -	\$ -	\$ 84,757

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, 2011

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

Net changes in fund balances - total governmental funds	\$ 56,904
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	73,560
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.	
Compensated absences	-
Loss on disposal of assets	-
Total changes in net assets of governmental activities	<u>\$ 130,464</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, 2011

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 477 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 specific operating needs of the public school system and is reported as a special revenue fund.

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, 2011. 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 \$5,000 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>
Computers	5
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, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Inventories - portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Prepaid Items - portion of fund balance that is not an available resource because it represents the year-end balance of prepaid rent on the school facility which is not a spendable resource.

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Committed Fund Balance – portion of fund balance that can only be used for specific purpose imposed by majority vote of School's governing body (highest level of decision-making authority). Any changes or removal of the specific purpose requires majority action by the governing bodies that approved the original action.

Assigned fund balance – portion of fund balance that Columbus Charter School intends to use for specific purposes.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the Director to modify the appropriations by resource or appropriation within funds up to \$5,000.

Assigned for Clubs and Activities funds - revenue sources restricted for expenditures for the various clubs and organizations, athletic events, and various fund raising activities for which they were collected.

Unassigned fund balance – the portion of fund balance that has not been assigned to another fund or restricted, committed, or assigned to specific purposes within the general fund.

Columbus Charter School has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Board of Trustees will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-board of education funds, board of education funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Board of Trustees has the authority to deviate from this policy if it is in the best interest of the School.

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 \$128,547 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).	\$ 162,246
	(33,699)
Less accumulated depreciation	
Total adjustment	<u>\$ 128,547</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, 2011, 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 \$73,560 between the two amounts consists of the following elements:

<u>DESCRIPTION</u>	<u>AMOUNT</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets on the statement of activities.	\$ 92,571
Depreciation expense that is recorded on the statement of activities but not in the fund statements.	<u>(19,011)</u>
Total	<u>\$ 73,560</u>

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, 2011, the School had deposits with banks and savings and loans with a carrying amount of \$271,512. The bank balance with the financial institutions was \$385,712, of which \$250,000 was covered by federal deposit insurance corporation. The remaining \$135,712 is a credit risk. 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, 2011, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets being depreciated:				
Computers	\$ -	\$ 1,826	\$ -	\$ 1,826
Textbooks	69,675	90,745	-	160,420
Total capital assets being depreciated	69,675	92,571	-	162,246
Less accumulated depreciation for:				
Computers	-	274	-	274
Textbooks	14,688	18,737	-	33,425
Total accumulated depreciation	14,688	\$ 19,011	\$ -	33,699
Total capital assets being depreciated, net	54,987			128,547
Governmental activity capital assets, net	\$ 54,987			\$ 128,547

Depreciation expense was charged to governmental functions as follows:

Supporting services	\$ 19,011
---------------------	-----------

B. Liabilities

1. Pension Plan Obligations

a. Retirement Plan

The School maintained a simple IRA retirement plan for the benefit of its employees from June through December 2010. They changed to a 401K plan in January 2011. 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, 2011, the retirement cost for the simple IRA retirement plan to the School was \$11,306 with employees contributing \$12,100. For the year ended June 30, 2011, the retirement cost for the 401K plan to the School was \$16,629, with employees contributing \$21,496.

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 \$266,000 from Charter Day School, a related party, for working capital during the year ended June 30, 2011. The balance had been repaid at June 30, 2011.

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 \$415,533 on this lease agreement for the year ended June 30, 2011. 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, 2011.

Future minimum lease payments are included in the schedule below.

	<u>Year Ending June 30</u>
2012	\$ 392,110
2013	392,110
2014	392,110
2015	392,110
2016	392,110
2017	392,110

b. Fund Balance

Columbus Charter School has a revenue spending policy that provides policy for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: federal funds, State funds, local non-School funds, Columbus Charter School funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the School.

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation.

Total fund balance	\$ 84,757
Less:	
Inventories	-
Prepaid Items	-
Restricted for USDA Debt Service	-
Appropriated Fund Balance in 2012 Budget	-
Remaining Fund Balance	\$ 84,757

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, 2011, management and administration fees were paid to Roger Bacon Academy in the amount of \$732,083. Rent paid to Roger Bacon Academy for the use of facility and equipment was \$415,533 for the year ended June 30, 2011. 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, 2011.

The School borrowed \$266,000 from Charter Day School, a related party, during the school year. As of June 30, 2011 the School had repaid all the funds.

Charter Day School paid the second quarter unemployment insurance payment of \$6,063 to the Employment Security Commission on behalf of Columbus Charter. Columbus repaid this money on June 29, 2011.

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.

VII. Contingency

The School is currently involved in litigation to collect additional local area education funding in excess of \$10,000 per system from Bladen County Schools, Columbus County Schools and Whiteville City Schools. The outcome of this matter is uncertain.

REQUIRED SUPPLEMENTARY INFORMATION

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.

Columbus Charter School
Non-major Governmental Funds
Balance Sheet
as of June 30, 2011

Statement 1

Special
Revenue Funds

Federal
Grants Fund

Assets

Cash and cash equivalents
Due from other governments
Total assets

\$ -
-

\$ -

Liabilities and Fund Balances

Liabilities:

Accrued salaries and wages payable
Deferred revenue
Total liabilities

\$ -
-

-

Fund balances-unreserved
Total liabilities and
fund equity

-

\$ -

Statement 2

Columbus Charter School
Non-major Governmental Funds
Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended June 30, 2011

	Special Revenue Funds
	Totals 2011
Revenues:	
U.S. Government:	
IDEA VI-B Sliver	\$ 3,927
IDEA VI-B Handicapped	49,064
IDEA VI-B ARRA	17,369
Title I Basic Education	32,769
Title I Basic ARRA	8,294
Education Jobs Fund - ARRA	76,923
Education Stabilization Funds - ARRA	103,163
Homeless Children	721
Improving Teacher Quality	8,583
Total	<u>300,813</u>
Donations	-
Other	-
Total	<u>-</u>
Total revenues	<u>300,813</u>
Expenditures:	
Current:	
Instructional programs:	
Regular programs	188,669
Special programs	103,604
Other	-
Total	<u>292,273</u>
Support services:	
Pupil services	8,540
Instructional staff services	-
General administrative	-
School administrative	-
Club and activity expenditures	-
Total	<u>8,540</u>
Non-programmed charges:	
Other	-
Total	<u>-</u>
Total expenditures	<u>300,813</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, 2011

	2011		
	Final Budget	Actual	Favorable (Unfavorable) Variance
Revenues:			
State of North Carolina	\$ 2,708,094	\$ 2,708,094	\$ -
Board(s) of Education:			
Bladen County	129,710	129,710	-
Columbus County	165,578	165,578	-
Robeson County	3,270	3,270	-
Whiteville City	107,667	107,667	-
Investment earnings	273	273	-
Others	96	96	-
Total revenues	<u>3,114,688</u>	<u>3,114,688</u>	<u>-</u>
Expenditures:			
Salaries & Bonuses	977,245	977,214	31
Benefits	280,385	280,172	213
Books & Supplies	147,256	146,943	313
Technology	10,960	10,954	6
Non Capitalized Equipment	109,090	109,085	5
Contracted Student Services	216,524	215,916	608
Staff Development	676	651	25
Administrative Services	711,432	711,390	42
Insurances	24,590	24,570	20
Rents & Debt Service	469,906	469,905	1
Facilities	54,033	54,015	18
Utilities	49,380	48,596	784
Nutrition & Food	400	397	3
Transportation & Travel	6,150	6,150	-
Capital Purchases	1,830	1,826	4
Total expenditures	<u>3,059,857</u>	<u>3,057,784</u>	<u>2,073</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 expenditures	<u>\$ 54,831</u>	<u>\$ 56,904</u>	<u>\$ 2,073</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, 2011

	2011		
	Final Budget	Actual	Favorable (Unfavorable) Variance
Revenues:			
IDEA VI-B Sliver	\$ 3,927	\$ 3,927	\$ -
IDEA VI-B Handicapped	66,407	49,064	(17,343)
IDEA VI-B ARRA	17,369	17,369	-
IDEA VI-B Special Needs Target	2,000	-	(2,000)
Title I Basic Education	32,769	32,769	-
Title I ARRA	8,294	8,294	-
Education Jobs Fund - ARRA	76,923	76,923	-
Education Stabilization Funds - ARRA	103,163	103,163	-
Homeless Children	721	721	-
Improving Teacher Quality	8,583	8,583	-
Total revenues	<u>320,156</u>	<u>300,813</u>	<u>(19,343)</u>
Expenditures:			
Salaries and Bonuses	252,923	241,505	11,418
Benefits	27,865	21,940	5,925
Supplies and Materials	3,703	3,703	-
Contracted EC Services	33,623	33,623	-
Travel Reimbursement	42	42	-
Workshop Expenses	2,000	-	2,000
Total expenditures	<u>320,156</u>	<u>300,813</u>	<u>19,343</u>
Excess of revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COMPLIANCE SECTION
COLUMBUS CHARTER SCHOOL
WHITEVILLE, NORTH CAROLINA
JUNE 30, 2011

PM&P

PETWAY
MILLS &
PEARSON, PA

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' 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

C. Briggs Petway, Jr.
Roger G. Mills
Phyllis M. Pearson

Board of Trustees
Columbus Charter School
Whiteville, North Carolina

Zebulon Office
P.O. Box 1036
1014 N. Arendell Ave.
Zebulon, NC 27597
919.269.7405
919.269.8728 Fax

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5116 Bur Oak Cr.
Raleigh, NC 27612
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919.781.1052 Fax

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, 2011, which collectively comprises Columbus Charter School's basic financial statements and have issued our report thereon dated October 31, 2011. 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 of America.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered 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.

Memberships:

North Carolina
Association of
Certified Public
Accountants

American Institute
of Certified Public
Accountants

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.

Medical Group
Management
Association

COMPLIANCE AND OTHER MATTERS

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 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 Trustees, 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 31, 2011

**PETWAY
MILLS &
PEARSON, PA**

CERTIFIED PUBLIC ACCOUNTANTS

C. Briggs Petway, Jr.
Roger G. Mills
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INDEPENDENT AUDITORS' 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 Trustees
Columbus Charter School
Whiteville, North Carolina

COMPLIANCE

We have audited the compliance of 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, 2011. 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 Columbus Charter School's management. Our responsibility is to express an opinion on 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 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 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, 2011.

INTERNAL CONTROL OVER COMPLIANCE

The management of 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 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 to identify all deficiencies in internal control over compliance 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 Trustees, 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
PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

October 31, 2011

COLUMBUS CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

SECTION I. -- SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified.

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency (ies) identified that are not considered to be material weaknesses?	<u> </u> yes	<u> X </u> none reported
Noncompliance material to financial statements noted	<u> </u> yes	<u> X </u> no

State Awards

Internal control over major state programs:

Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency (ies) identified that are not considered to be material weaknesses?	<u> </u> 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	<u> </u> yes	<u> X </u> no
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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, 2011

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, 2011

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, 2011

There were no findings for the year ended June 30, 2010.

COLUMBUS CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	STATE/ PASS-THROUGH GRANTOR'S NUMBER	EXPENDITURES
FEDERAL GRANTS:			
CASH ASSISTANCE:			
<u>US Department of Education</u>			
Title I, Part A Cluster			
Title I Basic	84.010	PRC 050	\$ 32,769
Title I ARRA	84.389	PRC 141	8,294
Total Title I, Part Cluster			<u>41,063</u>
Special Education Cluster			
IDEA VI-B Sliver	84.027	PRC 044	3,927
IDEA VI-B Handicapped	84.027	PRC 060	49,064
Title VI-B ARRA	84.391	PRC 144	17,369
Total Special Education Cluster			<u>70,360</u>
Education Jobs Fund - ARRA	84.410	PRC 150	76,923
Education Stabilization Funds ARRA	84.394	PRC 140	103,163
Education for Homeless Children and Youth	84.196	PRC 026	721
Improving Teacher Quality	84.367	PRC 103	8,583
TOTAL FEDERAL CASH ASSISTANCE			<u>300,813</u>
NC STATE GRANTS:			
CASH ASSISTANCE			
<u>NC Department of Public Instruction</u>			
State Public School Funds (PRC 36 -- Charter School Funds)		XXXX	<u>2,708,094</u>
TOTAL FEDERAL AND STATE AWARDS			<u>\$ 3,008,907</u>

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.