

FINANCIAL STATEMENTS
COLUMBUS CHARTER SCHOOL
WHITEVILLE, NORTH CAROLINA
JUNE 30, 2009

COLUMBUS CHARTER SCHOOL
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JUNE 30, 2009

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FINANCIAL SECTION
COLUMBUS CHARTER SCHOOL
WHITEVILLE, NORTH CAROLINA
JUNE 30, 2009

PM&P

**PETWAY
MILLS &
PEARSON, PA**

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Board of Directors
Columbus Charter School
Whiteville, North Carolina

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We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Columbus Charter School, North Carolina, as of and for the year ended June 30, 2009 which collectively comprise of the 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, each major fund and the aggregate remaining fund information of Columbus Charter School, North Carolina as of and for the year ended June 30, 2009, 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.

Memberships:

North Carolina
Association of
Certified Public
Accountants

American Institute
of Certified Public
Accountants

Medical Group
Management
Association

In accordance with Government Auditing Standards, we have also issued our report dated September 30, 2009 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 introductory information and schedule, 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 non-major fund financial statements 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

September 30, 2009

**Management's Discussion and Analysis
Columbus Charter School
June 30, 2009**

**Management's Discussion and Analysis
Columbus Charter School
June 30, 2009**

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, 2009. 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

- As of the close of the current fiscal year, Columbus Charter School's current assets were \$65,058 of which cash in bank was \$27,039, in comparison with \$19,598 in current assets in the prior year.
- The assets of Columbus Charter School exceeded its liabilities at the close of the fiscal year by \$46,491(net assets).
- The school's total net assets increased by \$29,154, 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 \$22,020, an increase of \$4,683 in comparison with the prior year.
- As of the close of the current fiscal year, Charter Day School reported fixed assets net of depreciation of \$24,471, an increase of \$24,471 in comparison with the prior year.
- Enrollment has almost doubled at the school from 2007-2008 to 2008-2009 school year. The 2007-2008 enrollment was 132, and the 2008-2009 enrollment was 250. Enrollment is expected to continue to grow at the rate of approximately 100 students per year for the next few years. The current initial enrollment for the 2009-2010 school year has increased to 362 students.
- Columbus Charter School has no long-term debt.

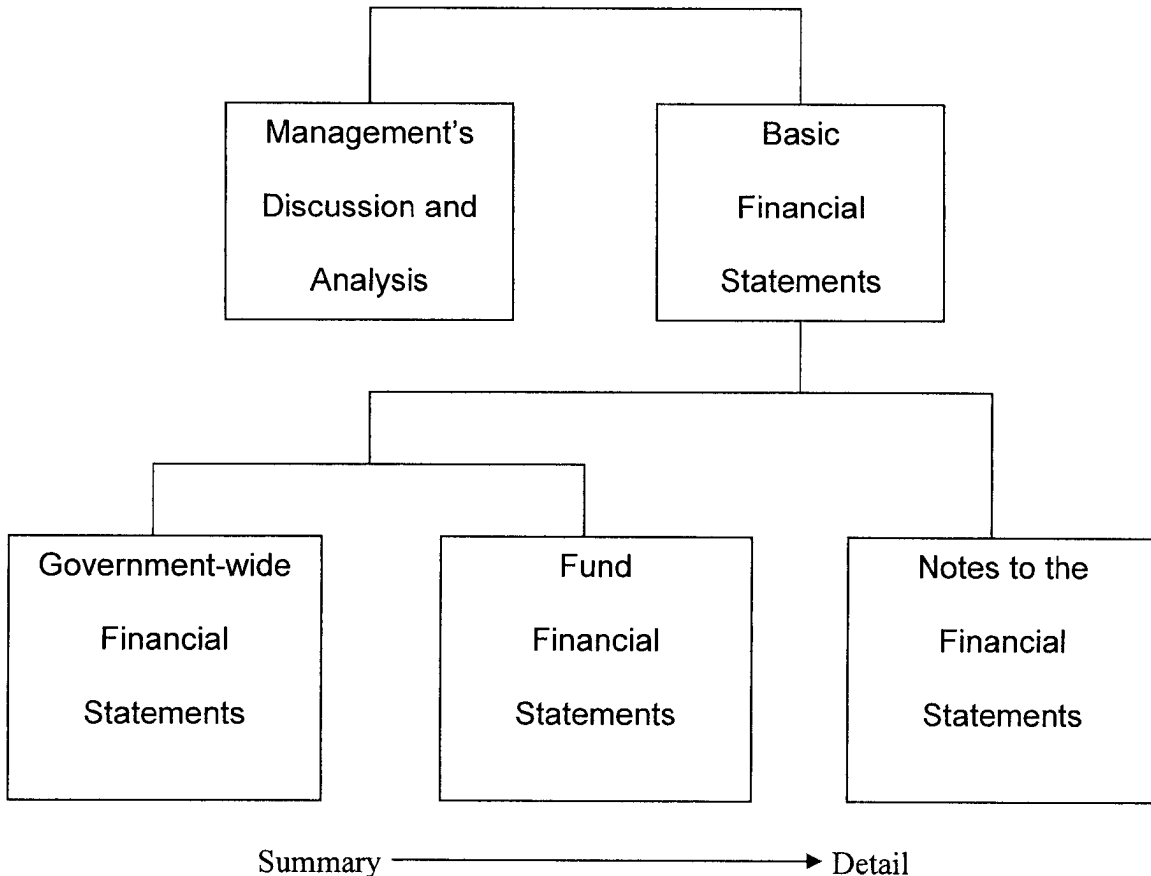
Overview of the Financial Statements

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 5) 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.

Management's Discussion and Analysis
Columbus Charter School
June 30, 2009

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

Management's Discussion and Analysis
Columbus Charter School
June 30, 2009

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 \$46,491 as of June 30, 2009. As of June 30, 2008, the net assets of Columbus Charter School stood at \$17,337. The School's net assets increased by \$29,154 for the fiscal year ended June 30, 2009, compared to a decrease of \$44,517 for the fiscal year ended June 30, 2008. The amount of \$24,471 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 \$22,020 is unrestricted. In 2008, the

Management's Discussion and Analysis
Columbus Charter School
June 30, 2009

amount of net assets invested in capital assets net of related debt was \$0. The remaining \$17,337 was unrestricted net assets for that year.

Figure 2
Columbus Charter School's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 27,039	\$ 16,833	\$ -	\$ -	\$ 27,039	\$ 16,833
Due from other governments	38,019	2,765	-	-	38,019	2,765
Capital assets, net of depreciation	24,471	-	-	-	24,471	-
Total assets	<u>89,529</u>	<u>19,598</u>	<u>-</u>	<u>-</u>	<u>89,529</u>	<u>19,598</u>
Other liabilities	13,038	2,261	-	-	13,038	2,261
Long-term liabilities outstanding	30,000	-	-	-	30,000	-
Total liabilities	<u>43,038</u>	<u>2,261</u>	<u>-</u>	<u>-</u>	<u>43,038</u>	<u>2,261</u>
Invested in capital assets, net of related debt	24,471	-	-	-	24,471	-
Restricted	-	-	-	-	-	-
Unrestricted	22,020	17,337	-	-	22,020	17,337
Total net assets	<u>\$ 46,491</u>	<u>\$ 17,337</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,491</u>	<u>\$ 17,337</u>

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.

Management's Discussion and Analysis
Columbus Charter School
June 30, 2009

Figure 3
Columbus Charter School's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
School activities and fund raising	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Donations and Other Revenues	38,809	2,720	-	-	38,809	2,720
Charges for Services	-	-	-	-	-	-
Operating Grants and Contributions	60,537	200,000	-	-	60,537	200,000
County, State, and Federal Funds	1,646,360	846,427	-	-	1,646,360	846,427
Total revenues	1,745,706	1,049,147	-	-	1,745,706	1,049,147
Instructional Programs	1,578,054	986,245	-	-	1,578,054	986,245
Support services	138,498	107,419	-	-	138,498	107,419
School food service	-	-	-	-	-	-
Fund raising	-	-	-	-	-	-
Interest on long-term debt	-	-	-	-	-	-
Total expenses	1,716,552	1,093,664	-	-	1,716,552	1,093,664
Increase (Decrease) in net assets before transfers	29,154	(44,517)	-	-	29,154	(44,517)
Transfers	-	-	-	-	-	-
Increase (Decrease) in net assets	29,154	(44,517)	-	-	29,154	(44,517)
Net assets, July 1	17,337	61,854	-	-	17,337	61,854
Net assets, June 30	\$ 46,491	\$ 17,337	\$ -	\$ -	\$ 46,491	\$ 17,337

Governmental activities. Governmental activities increased the School's net assets by \$29,154.

- **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, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

Management's Discussion and Analysis
Columbus Charter School
June 30, 2009

The general fund is the chief operating fund of Columbus Charter School. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$22,020, while total fund balance reached \$22,020.

At June 30, 2008, the governmental funds of Columbus Charter School reported a combined fund balance of \$17,337.

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, 2009, totals \$24,471 (net of accumulated depreciation). Capital assets include textbooks.

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
School Furnishings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Textbooks	24,471	-	-	-	24,471	-
Transportation equipment	-	-	-	-	-	-
Vehicles	-	-	-	-	-	-
Total	\$ 24,471	\$ -	\$ -	\$ -	\$ 24,471	\$ -

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, 2009, Columbus Charter School no outstanding debt.

Economic Factors

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

- The state had 2 funding reversions during the school year which caused Columbus Charter School's unrestricted funds to be lower than originally budgeted. The school's budgeted revenue, based on the state's original allotment to the school, was reduced by \$16,749. The first reversion, which occurred in November, was for \$9,813. A second reversion in the amount of \$6,936 was pulled back from the school in May. Had the state not reduced the original promised allocation of funds that the school relied upon for budgeting, the school would have had a greater increase in unrestricted funds for the fiscal year.

Management's Discussion and Analysis
Columbus Charter School
June 30, 2009

- Reduced economic activity in the area may have resulted in attracting some students who might have been attending or planning to attend private schools.

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, Columbus Charter School, 3610 Thaddeus Lott Lane, Leland, NC 28451, 910-655-3600.

Columbus Charter School
Statement of Net Assets
June 30, 2009

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash and cash equivalents	\$ 27,039	\$ -	\$ 27,039
Receivables - other (net)	38,019	-	38,019
Receivables - related party	-	-	-
Capital assets:			
Land, improvements, and construction in progress	-	-	-
Other capital assets, net of depreciation	24,471	-	24,471
Total capital assets	24,471	-	24,471
Total assets	89,529	-	89,529
LIABILITIES			
Accounts payable - trade	13,038	-	13,038
Accrued salaries and wages payable	-	-	-
Short-term payables	30,000	-	30,000
Long - term liabilities:			
Due within one year	-	-	-
Due in more than one year	-	-	-
Total liabilities	43,038	-	43,038
NET ASSETS			
Invested in capital assets, net of related debt	24,471	-	24,471
Restricted for:			
Clubs and activities	-	-	-
Unrestricted	22,020	-	22,020
Total net assets	\$ 46,491	\$ -	\$ 46,491

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, 2009

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	\$ 1,578,054	\$ -	\$ 60,537	\$ -	\$ (1,517,517)	\$ -	\$ (1,517,517)
Support services	138,498	-	-	-	(138,498)	-	(138,498)
Non-programmed charges	-	-	-	-	-	-	-
Interest on short-term debt	-	-	-	-	-	-	-
Total governmental activities	1,716,552	-	60,537	-	(1,656,015)	-	(1,656,015)
Business-type activities:							
School food service	-	-	-	-	-	-	-
Fund Raising	-	-	-	-	-	-	-
Total business-type activities	-	-	-	-	-	-	-
Total primary government	\$ 1,716,552	\$ -	\$ 60,537	\$ -	(1,656,015)	-	(1,656,015)
General revenues:							
Unrestricted county appropriations					192,333	-	192,333
Unrestricted State appropriations					1,454,027	-	1,454,027
Unrestricted Federal appropriations					-	-	-
Donations - general					-	-	-
Investment earnings, unrestricted					691	-	691
Miscellaneous, unrestricted					38,118	-	38,118
Transfers					-	-	-
Total general revenues, special items, and transfers					1,685,169	-	1,685,169
Change in net assets					29,154	-	29,154
Net assets-beginning					17,337	-	17,337
Net assets-ending					\$ 46,491	\$ -	\$ 46,491

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

**Columbus Charter School
Balance Sheet
Governmental Funds
June 30, 2009**

	Major Funds		Total Non-major Funds	Total Governmental Funds
	General	State Public School	Federal Grants	
ASSETS				
Cash and cash equivalents	\$ 27,039	\$ -	\$ -	\$ 27,039
Accounts Receivable - other (net)	38,019	-	-	38,019
Accounts Receivable - related party	-	-	-	-
Total assets	<u>\$ 65,058</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,058</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable - trade	\$ 13,038	\$ -	\$ -	\$ 13,038
Short term note payable - related party	30,000	-	-	30,000
Total liabilities	<u>43,038</u>	<u>-</u>	<u>-</u>	<u>43,038</u>
Fund balances:				
Reserved for:				
Inventories	-	-	-	-
Prepaid items	-	-	-	-
Unreserved, General Fund	22,020	-	-	22,020
Unreserved, reported in:				
Special Revenue Fund	-	-	-	-
Total fund balances	<u>22,020</u>	<u>-</u>	<u>-</u>	<u>22,020</u>
Total liabilities and fund balances	<u>\$ 65,058</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.

24,471

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

\$ 46,491

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, 2009

	Major Funds		Total Non-major Funds	Total Governmental Funds
	General	State Public School	Federal Grants	
REVENUES				
State of North Carolina	\$ -	\$ 1,454,027	\$ -	\$ 1,454,027
Local education agencies	192,333	-	-	192,333
U.S. Government	-	-	60,537	60,537
Investment earnings	691	-	-	691
Other	38,118	-	-	38,118
Total revenues	231,142	1,454,027	60,537	1,745,706
EXPENDITURES				
Current:				
Instructional programs	178,828	1,338,689	60,537	1,578,054
Support services	20,636	113,068	-	133,704
Non-programmed charges	-	-	-	-
Capital outlay	26,995	2,270	-	29,265
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	226,459	1,454,027	60,537	1,741,023
Excess (deficiency) of revenues over expenditures	4,683	-	-	4,683
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	4,683	-	-	4,683
Fund balances-beginning	17,337	-	-	17,337
Fund balances-ending	\$ 22,020	\$ -	\$ -	\$ 22,020

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, 2009

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

Net changes in fund balances - total governmental funds	\$ 4,683
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	24,471
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	-
Total changes in net assets of governmental activities	<u>\$ 29,154</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, 2009

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 244 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, 2009. 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 nine 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 2009-10 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 \$24,471 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).	\$ 29,265
Less accumulated depreciation	<u>(4,794)</u>
Total adjustment	<u>\$ 24,471</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, 2009, the Columbus Charter School received funding from the Boards of Education for Bladen County, Columbus 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 \$24,471 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.	\$ 29,265
Depreciation expense that is recorded on the statement of activities but not in the fund statements.	<u>(4,794)</u>
Total	<u>\$ 24,471</u>

II. Stewardship, Compliance, and Accountability

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

The School is not in compliance with exceptional needs coordinator certification requirements.

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, 2009, the School had deposits with banks and savings and loans with a carrying amount of \$27,039. The bank balance with the financial institutions was \$29,053, 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, 2009, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets being depreciated:				
Textbooks	\$ -	\$ 29,265	\$ -	\$ 29,265
Total capital assets being depreciated	-	29,265	-	29,265
Less accumulated depreciation for:				
Textbooks	-	4,794	-	4,794
Total accumulated depreciation	-	4,794	-	4,794
Total capital assets being depreciated, net	-			24,471
Governmental activity capital assets, net	\$ -			\$ 24,471

Depreciation expense was charged to governmental functions as follows:

Instructional programs	<u>\$ 4,794</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, 2009, the retirement cost to the School was \$11,569, with employees contributing \$13,280.

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 \$205,000 from Charter Day School, a related party, for working capital during the year ended June 30, 2009. The balance on the loan at June 30, 2009 was \$30,000.

The following is a summary of short-term obligations:

	Balance at July 1, 2008		Increases		Decreases		Balance at June 30, 2009
Governmental Activities:							
Charter Day School	\$ -		\$ 205,000		\$ 175,000		\$ 30,000

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 \$242,592 on this lease agreement for the year ended June 30, 2009. 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 \$29,338 on this lease agreement during the year ended June 30, 2009.

Future minimum lease payments are included in the schedule below.

Year Ending June 30

2010	\$ 271,980
2011	271,980
2012	271,980
2013	271,980

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, 2009, management and maintenance fees were paid to Roger Bacon Academy in the amount of \$546,676. Rent paid to Roger Bacon Academy for the use of facility and equipment was \$242,592 for the year ended June 30, 2009. 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, 2009.

The School borrowed \$205,000 from Charter Day School, a related party, during the school year. As of June 30, 2009 the School owed Charter Day School \$30,000.

Charter Day School paid the second quarter unemployment insurance payment of \$2,014 to the Employment Security Commission on behalf of Columbus Charter. Columbus repaid this money on July 22, 2009.

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 September 30, 2009. 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.

**Columbus Charter School
Non-major Governmental Funds
Combining Balance Sheet
as of June 30, 2009**

Statement 1

	Special Revenue Funds
	<u>Federal Grants Fund</u>
Assets	
Cash and cash equivalents	\$ -
Due from other governments	-
Total assets	<u>\$ -</u>
 Liabilities and Fund Balances	
Liabilities:	
Accrued salaries and wages payable	\$ -
Deferred revenue	-
Total liabilities	<u>-</u>
Fund balances-unreserved	<u>-</u>
Total liabilities and fund equity	<u>\$ -</u>

**Columbus Charter School
Non-major Governmental Funds
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended June 30, 2009**

Statement 2

	Special Revenue Funds
	<u>Totals</u>
	<u>2009</u>
Revenues:	
U.S. Government:	
Idea VI-B Capacity	\$ 2,000
Title I - Basic Funding	18,000
Idea VI-B Handicapped	35,972
Improving Teacher Quality	4,565
Total	<u>60,537</u>
Donations	-
Other	-
Total	<u>-</u>
Total revenues	<u>60,537</u>
Expenditures:	
Current:	
Instructional programs:	
Regular programs	4,565
Special programs	55,972
Other	-
Total	<u>60,537</u>
Support services:	
Pupil services	-
Instructional staff services	-
General administrative	-
School administrative	-
Club and activity expenditures	-
Total	<u>-</u>
Non-programmed charges:	
Other	-
Total	<u>-</u>
Total expenditures	<u>60,537</u>
Revenues over expenditures	<u>-</u>
Fund balances:	
Beginning of year, July 1	-
End of year, June 30	<u><u>\$ -</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, 2009

	2009		
	Final Budget	Actual	Favorable (Unfavorable) Variance
Revenues:			
State of North Carolina	\$ 1,454,027	\$ 1,454,027	\$ -
Board(s) of Education:			
Bladen County	78,667	78,668	1
Columbus County	66,696	66,696	-
Whiteville City	46,969	46,969	-
Investment earnings	689	691	2
Others	38,118	38,118	-
Total	<u>1,685,166</u>	<u>1,685,169</u>	<u>3</u>
Expenditures:			
Salaries & Bonuses	531,649	531,646	3
Benefits	131,713	131,710	3
Books & Supplies	51,601	51,598	3
Technology	4,599	4,597	2
Non Capitalized Equipment	17,353	17,353	-
Contracted Student Services	9,696	9,695	1
Staff Development	5,204	5,203	1
Administrative Services	581,510	581,506	4
Insurances	12,991	12,989	2
Rents & Debt Service	271,981	436,980	(164,999)
Facilities	21,836	21,835	1
Utilities	29,751	29,749	2
Nutrition & Food	109	108	1
Transportation & Travel	1,593	1,592	1
Capital Purchases	8,925	8,925	-
Total expenditures	<u>1,680,511</u>	<u>1,845,486</u>	<u>(164,975)</u>
Other financing sources (uses):			
Fund balance appropriated	-	-	-
Proceeds from loan	-	165,000	165,000
Total other financing sources and (uses)	<u>-</u>	<u>165,000</u>	<u>165,000</u>
Excess of revenue over expenditures	<u>\$ 4,655</u>	<u>\$ 4,683</u>	<u>\$ 28</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, 2009**

	2009		Favorable (Unfavorable) Variance
	Final Budget	Actual	
Revenues:			
Idea VI-B Sliver Grant	\$ 2,000	\$ 2,000	\$ -
Title I Basic	18,000	18,000	-
IDEA VI-B Handicapped	35,972	35,972	-
Improving Teacher Quality	4,565	4,565	-
Total revenues	<u>60,537</u>	<u>60,537</u>	<u>-</u>
Expenditures:			
Salaries & Bonuses	16,722	16,722	-
Benefits	1,278	1,278	-
Supplies and Materials	2,030	2,030	-
Contracted EC Services	35,942	35,942	-
Workshop Expense	4,565	4,565	-
Total expenditures	<u>60,537</u>	<u>60,537</u>	<u>-</u>
Excess of revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COMPLIANCE SECTION
COLUMBUS CHARTER SCHOOL
WHITEVILLE, NORTH CAROLINA

JUNE 30, 2009

PETWAY MILLS & PEARSON, PA

CERTIFIED PUBLIC ACCOUNTANTS

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American Institute
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Medical Group
Management
Association

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, each major fund and the aggregated remaining fund information of the Columbus Charter School, North Carolina as of and for the year ended June 30, 2009, which collectively comprises the Columbus Charter School's basic financial statements and have issued our report thereon dated September 30, 2009. 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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control.

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

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

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Columbus Charter School 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 an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as item 09-1.

The School's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the School's response and accordingly, we express no opinion on it.

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

September 30, 2009

PETWAY MILLS & PEARSON, PA

CERTIFIED PUBLIC ACCOUNTANTS

C. Briggs Petway, Jr.
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Management
Association

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 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 are applicable to its major State program for the year ended June 30, 2009. The Columbus Charter School's major State program is 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 its major State program is the responsibility of Columbus Charter School management. Our responsibility is to express an opinion on Columbus Charter School 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 on 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 are applicable to its major State program for the year ended June 30, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with the requirement that is required to be reported in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act and which is described in the accompanying schedule of findings and questioned costs as item 09-1.

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 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 our auditing procedures for the purpose of expressing our opinion on compliance, 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 Columbus Charter School's internal control over compliance.

A control deficiency in an entity's 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 noncompliance with a type of compliance requirement of a State program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a State program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a State program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 09-1 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a State program will not be prevented or detected by the entity's internal control. We did not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as we discussed above, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

The Columbus Charter School's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the School's response and, accordingly, we express no opinion of it.

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

September 30, 2009

COLUMBUS CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

SECTION I. -- SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified.

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency (ies) identified
that are not considered to be
material weaknesses? yes X none reported

Noncompliance material to financial
statements noted yes X no

State Awards

Internal control over major state programs:

Material weakness(es) identified? yes X no

Significant deficiency (ies) identified
that are not considered to be
material weaknesses? X yes 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 X yes 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, 2009

SECTION II. -- FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III. -- STATE AWARD FINDINGS AND QUESTIONED COSTS

North Carolina Department of Public Instruction - State Public School Funds

09-1 Criteria:	State general statutes call for an exceptional needs coordinator certified in the State of North Carolina, who is qualified to meet the needs of the children enrolled at the School. The School was unable to document that their exceptional needs coordinator was certified in North Carolina.
Condition:	Audit tests disclosed that the exceptional needs coordinator did not possess a North Carolina public school teaching certificate.
Effect:	The School could not document that it met the exceptional needs coordinator requirement under "Procedures Governing Programs and Services for Children with Disabilities (Section 1522 "Categorical Children with Special Needs")".
Cause:	The School was unable to hire an exceptional needs certified coordinator.
Questioned Cost:	None. (Teacher licensure does not affect the receipt or disbursement of state funds. Meeting all teacher licensure requirements will have no affect on receipt or disbursement of state funds in the future).
Recommendation:	The School's administration should ensure that its staff's certification meets North Carolina requirements.
Views of Responsible officials and corrective action plan:	The School agrees with this finding and now has in place an exceptional needs coordinator certified in the State of North Carolina.

COLUMBUS CHARTER SCHOOL
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2009

SECTION II. -- FINANCIAL STATEMENT FINDINGS

None required.

SECTION III. -- STATE AWARD FINDINGS AND QUESTIONED COSTS

North Carolina Department of Public Instruction - State Public School Funds

Finding: 09-1

Name of Contact Person: Steve Smith, Director

Corrective Action: The School's administrator should designate one person to certification for the School's teaching staff. The School has also implemented a tracking system that documents the monitoring of the status of professional staff.

Proposed Completion Date: The School now has in place an exceptional needs coordinator with a valid North Carolina teaching license.

COLUMBUS CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR YEARS' AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009

There were no reported findings or questioned costs as a result of the audit for the fiscal year ended June 30, 2008.

COLUMBUS CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FROM INCEPTION THROUGH THE YEAR ENDED JUNE 30, 2009

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>			
IDEA VI-B Capacity Grant		84.027	\$ 2,000
Title I Basic		84.010	18,000
IDEA VI-B Handicapped		84.027	35,972
Improving Teacher Quality		84.336	<u>4,565</u>
TOTAL FEDERAL CASH ASSISTANCE			60,537
NC STATE GRANTS:			
CASH ASSISTANCE			
<u>NC Department of Public Instruction</u>			
State Public School Funds (PRC 36 -- Charter School Funds)		XXXX	<u>1,454,027</u>
TOTAL FEDERAL AND STATE AWARDS			<u>\$ 1,514,564</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.

PM&P

**PETWAY
MILLS &
PEARSON, PA**

CERTIFIED PUBLIC ACCOUNTANTS

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Memberships:

North Carolina
Association of
Certified Public
Accountants

American Institute
of Certified Public
Accountants

Medical Group
Management
Association

To the Board of Directors
Columbus Charter School

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Columbus Charter School for the year ended June 30, 2009. 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 planning and scope of our audit. We have communicated such information in our letter to you dated March 7, 2009. 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 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 2009. 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 and long-term debt in Note III.B.3 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 the aggregate, to the financial statements taken as a whole.

Our audit adjustments were solely limited to the adjustments required to convert the financial statements to the full accrual basis of accounting as required by GASB 34 for external reporting purposes.

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 September 30, 2009.

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

September 30, 2009