AUDITED FINANCIAL STATEMENTS

COLUMBUS CHARTER SCHOOL

WHITEVILLE, NORTH CAROLINA

JUNE 30, 2017

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COLUMBUS CHARTER SCHOOL
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JUNE 30, 2017

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FINANCIAL SECTION

COLUMBUS CHARTER SCHOOL

WHITEVILLE, NORTH CAROLINA

JUNE 30, 2017

PM&P
PETWAY
MILLS &
PEARSON, PA
CERTIFIED PUBLIC ACCOUNTANTS

C. Briggs Petway, Jr.
Phyllis M. Pearson

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

Raleigh Office
9121 Anson Way
Raleigh, NC 27615
919-781-1047

www.pmpcpa.com

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Independent Auditor's Report

To the Board of Trustees
Columbus Charter School
Whiteville, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Columbus Charter School as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Columbus Charter School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions 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 Controller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, 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 as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 8 through 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an

appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Columbus Charter School's basic financial statements. The individual fund financial statements and budgetary schedule, as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 and budgetary schedule, as well as the accompanying Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements, budgetary schedule, and the accompanying Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2017, on our consideration of Columbus Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Columbus Charter School's internal control over financial reporting and compliance.

Petway Mills & Pearson, PA

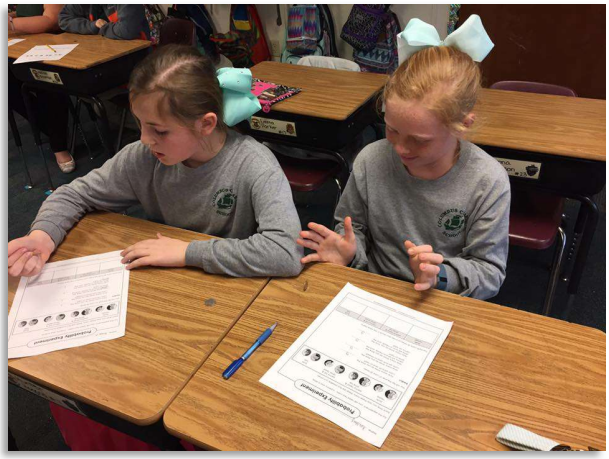
PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

October 12, 2017

Columbus Charter School

PREPARE EXPLORE DISCOVER

35 Bacon's Way, Whiteville, NC 28472
910-642-4042 www.columbuscharterschool.net



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-8 education and is a premier performance-driven year round school. Widely recognized as a compelling alternative 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.

Our Foundation: The 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.

chool Features

- K-8 tuition-free, open enrollment public charter school.
- Scenic, 142-acre campus in Columbus County, just five minutes from downtown Whiteville.
- Outperformed the surrounding district by 9.3 percentage points on End-of-Grade tests in 2016-2017.
- Diverse student population, including 12% special needs students, 32% non-white students, and 46% economically disadvantaged students.
- Uses research-based, proven Direct Instruction teaching method.
- Proven, rigorous Classical curriculum.
- Offers Latin, Public Speaking, Debate, and Drama components.
- Accelerated learning program reviews individual student performance data to promote qualifying students to advanced studies on a subject -by-subject basis.
- Prioritizes the use of positive reinforcement in teaching and classroom management.
- Varied extracurricular activities and clubs, in addition to signature "FASTAR" and "History Bowl" academic competitions.
- Year-round schedule provides quarterly, three-week breaks for students.
- Student uniforms and professional teacher dress requirements.
- On-site educational before and after school care program.
- Has received the NC Department of Labor's Gold Safety Award for the past six? years.
- Intensive new-hire training.
- Continuous teacher professional development provided by instructional support coaches and curriculum specialists, who evaluate and optimize instruction.
- Regular parent surveys conducted.
- Annual, third-party financial and compliance audits conducted.

Academic Performance
2016-2017

Columbus Charter School EOG Results 2016-17

Percent of Students Proficient

	All Subjects	ELA/Reading	Math	Science
Overall	62.4	61.1	57.4	76.5
Elementary School	61.3	59.0	61.0	68.9
Middle School	63.8	64.7	52.5	89.8
North Carolina	59.2	57.5	55.4	72.8
Columbus Co.	53.1	52.1	48.1	65.9
Bladen Co.	51.6	52.0	47.1	70.1

Summary

Columbus Charter School was a top-4 highest scoring school in the Columbus County district and a top-5 highest scoring school of 28 schools across the Columbus and Bladen County school districts. Overall, Columbus Charter School's EOG performance average exceeded state, Columbus County, and Bladen County performance averages. The Bladen County district is included in this comparison, as Columbus Charter School serves significant populations of students residing in Bladen County.

The state performance average is 59.2%. The Columbus and Bladen districts' performance averages are 53.1%, and 51.6%, respectively. Columbus Charter School's performance average is 62.4%, exceeding neighboring district averages by 10 percentage points. Columbus Charter School is a Title 1 school, which means that 40% or more of its students are economically disadvantaged. The school earned a school performance grade of "C."

Management's Discussion and Analysis
Columbus Charter School
June 30, 2016

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, 2017. 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

Columbus Charter School is one of four, replicate public charter schools operated by nonprofit educational group, Charter Day School, Inc. The following financial highlights are reflective of Columbus Charter School, specifically.

- The assets of Columbus Charter School exceeded its liabilities at the close of the fiscal year by $1,149,317 (net assets).
- The School's total net assets increased by $164,923 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 $1,125,947, an increase of $174,256 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 $23,370 a decrease of $9,333 in comparison with the prior year.
- Enrollment remained consistent at the School in the 2016-2017 school year with an enrollment of 863 students. Historically, the enrollment for 2011-2012 was 596; 2012-2013 was 725; 2013-2014 was 829; 2014-2015 was 891, and 2015-2016 was 854. For the 2017-2018 school year the enrollment decreased to 755.
- Per-pupil revenue from governmental sources for the 2016-2017 year was $7,929.
- Columbus Charter School has no long-term debt.
- Columbus Charter School spent $138,446 (net of insurance proceeds) in legal fees defending the lawsuit regarding the schools uniform policy.

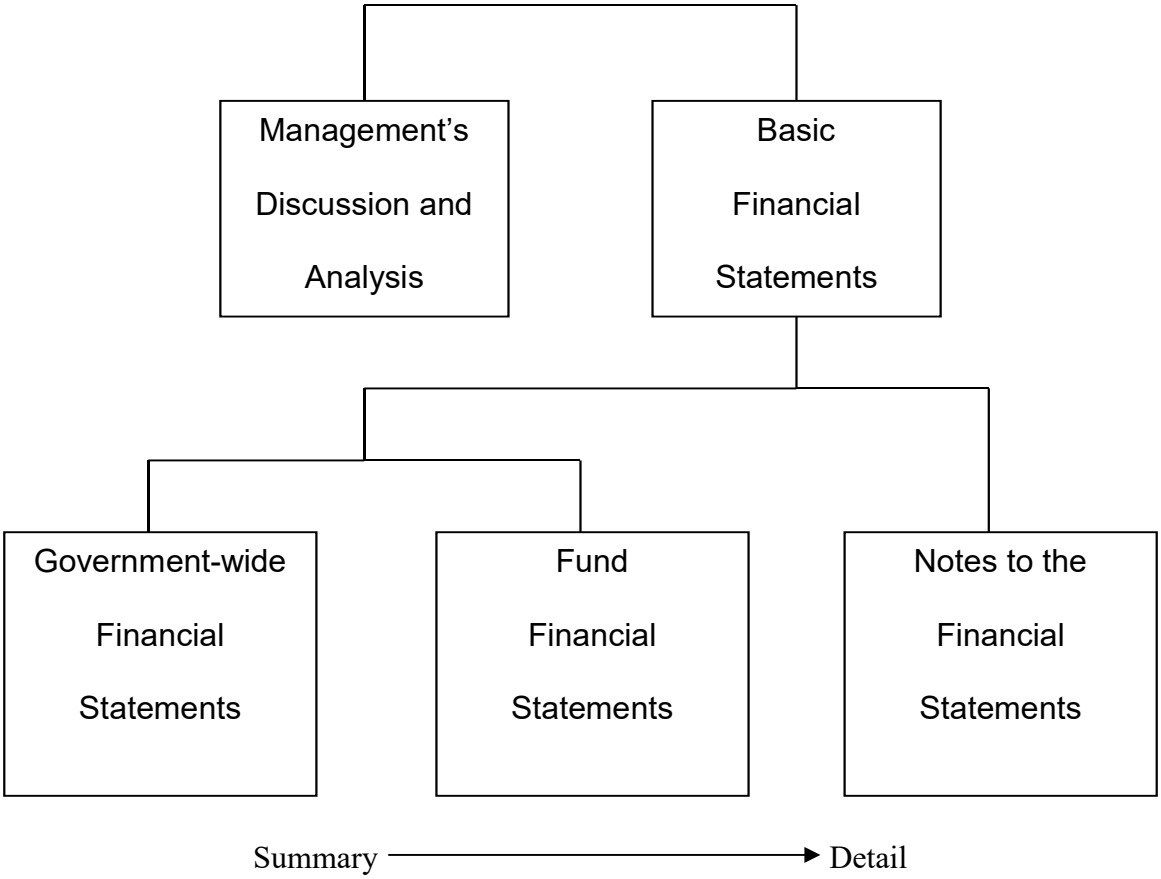
Cumulatively, the Charter Day School, Inc. family of public charter schools experienced enrollment growth of 8.0% from the 2015-2016 academic year to the 2016-2017 academic year, with enrollment rising from 2,109 students to 2,278 students. The growth remained stable in the 2017-2018 year with a decrease of 1.4% and cumulative student enrollment of 2,245.

Overview of the Financial Statements

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

Figure 1

Required Components of Annual Financial Report



Basic Financial Statements

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

The next statements (Exhibits 3 through 4) are **Fund Financial Statements**. These statements focus on the activities of the individual segments of the School's government. These statements are more detailed than the government-wide financial statements. There

are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the proprietary fund statements.

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Notes to the Financial Statements – The notes provide additional information essential to facilitating a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 25 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 $1,149,317 as of June 30, 2017. As of June 30, 2016, the net assets of Columbus Charter School stood at $984,394. The School's net assets increased by $164,923 for the fiscal year ended June 30, 2017, compared to an increase of $116,168 for the fiscal year ended June 30, 2016. The amount of $23,370 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 $1,125,947 is unrestricted. In 2016, the amount of net assets invested in capital assets net of related debt was $32,703. The remaining $951,691 was unrestricted net assets for that year.

Figure 2
Columbus Charter School's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	$ 1,180,735	$ 1,011,828	$ -	$ -	$ 1,180,735	$ 1,011,828
Due from other governments	5,750	2,312	-	-	5,750	2,312
Capital assets, net of depreciation	23,370	32,703	-	-	23,370	32,703
Total assets	1,209,855	1,046,843	-	-	1,209,855	1,046,843
Other liabilities	60,538	62,449	-	-	60,538	62,449
Long-term liabilities outstanding	-	-	-	-	-	-
Total liabilities	60,538	62,449	-	-	60,538	62,449
Invested in capital assets, net of related debt	23,370	32,703	-	-	23,370	32,703
Restricted	-	-	-	-	-	-
Unrestricted	1,125,947	951,691	-	-	1,125,947	951,691
Total net assets	$ 1,149,317	$ 984,394	$ -	$ -	$ 1,149,317	$ 984,394

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.
- The school continues to obtain additional classroom space at very competitive rental rates.

Figure 3
Columbus Charter School's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Other Revenues	$ 19,970	$ 1,131	-	-	$ 19,970	$ 1,131
Charges for Services	-	-	-	-	-	-
Operating Grants and Contributions	147,848	198,540	-	-	147,848	198,540
County, State, and Federal Funds	6,881,430	6,539,532	-	-	6,881,430	6,539,532
Total revenues	7,049,248	6,739,203	-	-	7,049,248	6,739,203
Instructional Programs	5,371,216	5,086,065	-	-	5,371,216	5,086,065
Support services	1,513,109	1,536,970	-	-	1,513,109	1,536,970
Fund raising	-	-	-	-	-	-
Interest on short-term debt	-	-	-	-	-	-
Total expenses	6,889,325	6,623,035	-	-	6,889,325	6,623,035
Increase (Decrease) in net assets before transfers	164,923	116,168	-	-	164,923	116,168
Transfers	-	-	-	-	-	-
Increase (Decrease) in net assets	164,923	116,168	-	-	164,923	116,168
Net assets, July 1	984,394	868,226	-	-	984,394	868,226
Net assets, June 30	$ 1,149,317	$ 984,394	-	-	$ 1,149,317	$ 984,394

Governmental activities. Governmental activities increased the School's net assets by $164,923.

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

Financial Analysis of the School's Funds

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

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

The general fund is the chief operating fund of Columbus Charter School. At the end of the current fiscal year, unrestricted fund balance of the General Fund was $1,125,947.

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, 2017, totals $23,370 (net of accumulated depreciation). Capital assets include textbooks.

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Computers	$ 0	$ 0	$0	$0	$ 0	$ 0
Textbooks	4,800	13,393	-	-	4,800	13,393
Equipment	-	-	-	-	-	-
Building Improvements	18,570	19,310	-	-	18,570	19,310
Total	$ 23,370	$ 32,703	$0	$0	$ 23,370	$ 32,703

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, 2017, Columbus Charter School had no outstanding debt.

Economic Factors

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

- The School operated with substantially lower amounts (nearly 30% less) of per-pupil funding that that received by surrounding district students, in addition to receiving zero capital funds, unlike traditional public schools. Because the School receives no capital funding, it must pay rent out of its operating revenue.
- Competitive salary increases effective for the 2016-2017 school year increased the School's expenditures, but were partially offset by state revenue increases.
- Expenditures budgeted for Administrative Services increased in 2016-2017 due to providing enhanced teacher professional development through instructional support coaches and curriculum specialists, who evaluate and optimize instruction.
- The School received donations of $147,848 during the 2016-2017 school year.

- Due to statutory enrollment limits, the School was obligated to hold a random lottery in February, 2017, and to admit only a fraction of the applicants for the upcoming year.
- Cumulatively, the Charter Day School, Inc. family of public charter schools experienced enrollment growth of 8.0% from the 2015-2016 academic year to the 2016-2017 academic year, with enrollment rising from 2,109 students to 2,278 students.
- With the lifting of the "Charter School Cap" it is important for the School to maintain its unrestricted funds surplus since there is possible impact with other competing charter 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, Treasurer, Charter Day School, Inc., 7055 Bacon's Way, Leland, NC 28451, 910-655-3600.

Exhibit 1

Columbus Charter School
Statement of Net Position
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 632,694	$ -	$ 632,694
Receivables - other (net)	48,041	-	48,041
Due from other governments	5,750	-	5,750
Due from South Brunswick Charter School	500,000	-	500,000
Capital assets:			
Land, improvements, and construction in progress	-	-	-
Other capital assets, net of depreciation	23,370	-	23,370
Total capital assets	23,370	-	23,370
Total assets	1,209,855	-	1,209,855
LIABILITIES			
Accounts payable - trade	60,538	-	60,538
Short-term payables	-	-	-
Long - term liabilities:			
Due within one year	-	-	-
Due in more than one year	-	-	-
Total liabilities	60,538	-	60,538
NET POSITION			
Net investment in capital assets	23,370	-	23,370
Unrestricted	1,125,947	-	1,125,947
Total net position	$ 1,149,317	$ -	$ 1,149,317

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

Exhibit 2

Columbus Charter School
Statement of Activities
For the Year Ended June 30, 2017

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**
Primary government:							
Governmental Activities:							
Instructional programs	$ 5,371,216	$ -	$ 216,705	$ -	$ (5,154,511)	$ -	$ (5,154,511)
Support services	1,513,109	-	-	-	(1,513,109)	-	(1,513,109)
Non-programmed charges	-	-	-	-	-	-	-
Interest on short-term debt	-	-	-	-	-	-	-
Total governmental activities	6,884,325	-	216,705	-	(6,667,620)	-	(6,667,620)
Business-type activities:							
School food service	-	-	-	-	-	-	-
Fund Raising	-	-	-	-	-	-	-
Total business-type activities	-	-	-	-	-	-	-
Total primary government	$ 6,884,325	$ -	$ 216,705	$ -	(6,667,620)	-	(6,667,620)
General revenues:							
Unrestricted County appropriations					794,577	-	794,577
Unrestricted State appropriations					5,870,148	-	5,870,148
Unrestricted Federal appropriations					-	-	-
Donations - general					147,848	-	147,848
Investment earnings, unrestricted					-	-	-
Miscellaneous, unrestricted					19,970	-	19,970
Transfers					-	-	-
Total general revenues, special items, and transfers					6,832,543	-	6,832,543
Change in net position					164,923	-	164,923
Net position-beginning					984,394	-	984,394
Net position-ending					$ 1,149,317	$ -	$ 1,149,317

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

Exhibit 3

Columbus Charter School
Balance Sheet
Governmental Funds
June 30, 2017

	Major Funds		Total Non-major Funds	
	General	**State Public School**	**Federal Grants**	**Total Governmental Funds**
ASSETS				
Cash and cash equivalents	$ 632,694	$ -	$ -	$ 632,694
Accounts Receivable - other (net)	48,041	-	-	48,041
Due from South Brunswick Charter School	500,000	-	-	500,000
Due from other governments	5,750	-	-	5,750
Total assets	$ 1,186,485	$ -	$ -	$ 1,186,485
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable - trade	$ 60,538	$ -	$ -	$ 60,538
Total liabilities	60,538	-	-	60,538
Fund balances:				
Nonspendable:				
Inventories	-	-	-	-
Prepaid items	-	-	-	-
Restricted:				
Capital outlay	-	-	-	-
Assigned:				
Clubs and Activities	-	-	-	-
Unassigned:	1,125,947	-	-	1,125,947
Total fund balances	1,125,947	-	-	1,125,947
Total liabilities, deferred inflows of resources, and fund balances	$ 1,186,485	$ -	$ -	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	23,370
Liabilities for earned but unavailable 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	-
Net position of governmental activities	$ 1,149,317

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

Exhibit 4

Columbus Charter School
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	Major Funds		Total Non-major Funds	Total Governmental Funds
	General	State Public School	Federal Grants	
REVENUES				
State of North Carolina	$ -	$ 5,870,148	$ -	$ 5,870,148
Local education agencies	794,577	-	-	794,577
U.S. Government	-	-	216,705	216,705
Donations - general	147,848	-	-	147,848
Investment earnings	-	-	-	-
Other	19,970	-	-	19,970
Total revenues	962,395	5,870,148	216,705	7,049,248
EXPENDITURES				
Current:				
Instructional programs	125,747	5,019,477	216,705	5,361,929
Support services	662,392	850,671	-	1,513,063
Non-programmed charges	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	788,139	5,870,148	216,705	6,874,992
Excess (deficiency) of revenues over expenditures	174,256	-	-	174,256
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	174,256	-	-	174,256
Fund balances-beginning	951,691	-	-	951,691
Fund balances-ending	$ 1,125,947	$ -	$ -	$ 1,125,947

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

Exhibit 5

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, 2017

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

Net changes in fund balances - total governmental funds	$ 174,256
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	(9,333)
Total changes in net position of governmental activities	$ 164,923

0

I. Summary of Significant Accounting Policies

The accounting policies of Columbus Charter School, North Carolina (the 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 one of four public charter schools operated by a North Carolina non-profit corporation (Charter Day School, Inc.), serving approximately 863 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 position 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 position 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.

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, 2017. All appropriations lapse at year-end.

E. Assets, Liabilities, Deferred Outflows and Inflows of Resources, 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 donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at their original cost. 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.

	Years
Computers	5
Textbooks	5
Building Improvements	15

4. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The School has no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The School has no items that meet the criterion for this category.

5. 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 position.

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

6. 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.

7. Net Position/Fund Balances

Net Position
Net position in the government-wide and proprietary fund financial statements is classified as net investment in capital assets, net of related debt; restricted; and unrestricted. Restricted net position 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.

Fund Balances
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:

Non-spendable 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 – 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.

8. The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of $23,370 consists of several elements as follows:

DESCRIPTION	AMOUNT
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).	$ 257,910
Less accumulated depreciation	(234,540)
Total adjustment	$ 23,370

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, 2017, the Columbus Charter School received funding from the Boards of Education for Columbus, Bladen, Brunswick, Cumberland, New Hanover, Pender, Robeson Counties 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 position–governmental funds as reported on the government-wide statement of activities. The net difference of ($9,333) between the two amounts consists of the following elements:

DESCRIPTION	AMOUNT
Capital outlay expenditures recorded in the fund statements but capitalized as assets on the statement of activities.	$ -
Depreciation expense that is recorded on the statement of activities but not in the fund statements.	(9,333)
Total	$(9,333)

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 Position of Individual Funds

None.

III. Detail Notes on All Funds

A. Assets

1. Deposits

At June 30, 2017, the School had deposits with banks, savings and loans with a carrying amount of $632,694. The bank balance with the financial institutions was $659,558, of which $250,000 was covered by the Federal Deposit Insurance Corporation. The remaining $409,558 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, 2017, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets being depreciated:				
Building Improvements	$ 22,210	$ -	$ -	$ 22,210
Computers	1,826	-	-	1,826
Textbooks	233,874	-	-	233,874
Total capital assets being depreciated	257,910	-	-	257,910
Less accumulated depreciation for:				
Building Improvements	2,900	740	-	3,640
Computers	1,826	-	-	1,826
Textbooks	220,481	8,593	-	229,074
Total accumulated depreciation	225,207	$ 9,333	$ -	234,540
Total capital assets being depreciated, net	32,703			23,370
Governmental activity capital assets, net	$ 32,703			$ 23,370

Depreciation expense was charged to governmental functions as follows:

Instructional Programs	$ 6,999
Supporting Services	2,334
	$ 9,333

B. Liabilities

1. Pension Plan Obligations

a. Retirement Plan

The School maintains a 401(k) retirement plan for the benefit of its employees for fiscal year 2017. 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, 2017, the retirement cost for the 401(k) plan to the School was $54,108, with employees contributing $75,930.

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 did not have any short-term obligations outstanding at year end.

4. Long-Term Obligations

a. Operating Leases

The School rents space under a ten-year lease from the Roger Bacon Academy. The School paid a total of $893,856 on this lease agreement for the year ended June 30, 2017.

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 $14,256 on this lease agreement during the year ended June 30, 2017.

b. Fund Balance

Columbus Charter School has a revenue spending policy that provides policy for programs with multiple revenue sources. The Board of Trustees 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 Board of Trustees 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	$ 1,125,947
Less:	
Inventories	-
Prepaid Items	-
Restricted for USDA Debt Service	-
Remaining Fund Balance	$ 1,125,947

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.

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, 2017, management and administration fees were paid to Roger Bacon Academy in the amount of $1,354,739. Rent paid to Roger Bacon Academy for the use of facility and equipment was $908,112 for the year ended June 30, 2017. Future obligations under the management agreement are subject to change and are indeterminable since terms are based on projected enrollments and revenues.

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 evaluated subsequent events after that date. There were no subsequent events during this period that require disclosure.

VII. Management Company

The School paid Roger Bacon Academy, Inc., their managing agent, for the following services during the fiscal year ended June 30, 2017:

Roger Bacon Academy, Inc.	Amount
Management & Administrative Fees	$1,796,243
Rent	908,112
Total	$2,704,355

REQUIRED SUPPLEMENTARY INFORMATION

NON-MAJOR FUNDS

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

Statement 1

Columbus Charter School
Non-major Governmental Funds
Balance Sheet
as of June 30, 2017

	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	$ -
Unavailable revenues	-
Total liabilities	-
Deferred inflows of resources	-
Sales tax receivable	
Fund balances-unassigned	-
Total liabilities, deferred inflows of resources, 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, 2017

	Special Revenue Funds Totals 2017
Revenues:	
U.S. Government:	
IDEA VI-B Handicapped	$ 115,881
Title I Basic Education	78,258
IDEA VI-B Risk Pool	21,666
IDEA VI-B Special Needs Targeted Assistance	900
Total revenues	216,705
Expenditures:	
Current:	
Instructional programs:	
Regular programs	-
Special programs	216,705
Other	-
Total	216,705
Support services:	
Pupil services	-
Instructional staff services	-
General administrative	-
School administrative	-
Club and activity expenditures	-
Total	-
Non-programmed charges:	
Other	-
Total	-
Total expenditures	216,705
Revenues over expenditures	-
Fund balances:	
Beginning of year, July 1	-
End of year, June 30	$ -

Statement 3

Columbus Charter School
All Fund Types
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017

	2017		
	Final Budget	Actual	Favorable (Unfavorable) Variance
Revenues:			
Total State Revenue	$ 5,869,967	$ 5,870,148	$ 181
Total Local Revenue	794,180	794,577	397
Total Federal Revenue	216,704	216,705	1
Total Miscellaneous Revenue	168,392	167,818	(574)
Total revenues	7,049,243	7,049,248	5
Expenditures:			
Salaries & Benefits			
Total Salaries & Bonuses	2,623,385	2,623,299	86
Total Benefits	561,840	561,471	369
Total Salaries & Benefits	3,185,225	3,184,770	455
Books & Supplies	180,900	180,620	280
Technology	21,600	21,430	170
Non Capitalized Equipment	63,900	57,256	6,644
Contracted Student Services	580,704	580,408	296
Staff Development	5,900	5,816	84
Administrative Services	1,592,517	1,592,273	244
Insurance	51,000	50,775	225
Rents & Debt Service	908,609	908,532	77
Facilities Repairs & Maintenance	178,100	177,955	145
Utilities	109,200	109,002	198
Nutrition & Food	3,500	3,429	71
Transportation & Travel	2,800	2,726	74
Capital Purchases	-	-	-
Total expenditures	6,883,955	6,874,992	8,963
Other financing sources (uses):			
Unappropriated fund balance	165,288	-	165,288
Total other financing sources and (uses)	165,288	-	165,288
Excess of revenue over expenditures	$ -	$ 174,256	$ 174,256

COMPLIANCE SECTION

COLUMBUS CHARTER SCHOOL

WHITEVILLE, NORTH CAROLINA

JUNE 30, 2017

PM&P
PETWAY
MILLS &
PEARSON, PA
CERTIFIED PUBLIC ACCOUNTANTS

C. Briggs Petway, Jr.
Phyllis M. Pearson

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

Raleigh Office
9121 Anson Way
Raleigh, NC 27615
919-781-1047

www.pmpcpa.com

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Association

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*

To the Board of Trustees
Columbus Charter School
Whiteville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Columbus Charter School, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Columbus Charter School's basic financial statements, and have issued our report thereon dated October 12, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Columbus Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Columbus Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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 a combination of 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Columbus Charter School's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Petway Mills & Pearson, PA

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

October 12, 2017

PM&P
PETWAY
MILLS &
PEARSON, PA
CERTIFIED PUBLIC ACCOUNTANTS

C. Briggs Petway, Jr.
Phyllis M. Pearson

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

Raleigh Office
9121 Anson Way
Raleigh, NC 27615
919-781-1047

www.pmpcpa.com

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Independent Auditors' Report on Compliance for each Major State Program and on Internal Control over Compliance in Accordance by Uniform Guidance and the State Single Audit Implementation Act

To the Board of Trustees
Columbus Charter School
Whiteville, North Carolina

Report on Compliance for Each Major State Program

We have audited Columbus Charter School's compliance 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 Columbus Charter School's major State program as of and for the year ended June 30, 2017. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Columbus Charter School's major State programs based on our audit of the types of compliance requirements referred to above. 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 and applicable sections of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* as described in the *Audit Manual for Governmental Auditors in North Carolina,* and the State Single Audit Implementation Act. Those standards, Uniform Guidance, 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 on compliance for each major State program. However, our audit does not provide a legal determination of Columbus Charter School's compliance.

Opinion on Each Major State Program

In our opinion, Columbus Charter School complied, in all material respects, with the types of compliance 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, 2017.

Report on Internal Control over Compliance

Management of Columbus Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered

Columbus Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with Uniform Guidance, 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 *deficiency in internal control over compliance* exists when the design or operation of a control over compliance 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 deficiencies, in internal control over 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Petway Mills & Pearson, PA

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

October 12, 2017

COLUMBUS CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

SECTION I. -- SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified.

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?	_____ yes	__X__ none reported

Type of auditors' report issued on compliance for major State programs: Unmodified.

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance	_____ yes	__X__ 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, 2017

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, 2017

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, 2017

There were no findings for the year ended June 30, 2016.

COLUMBUS CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	STATE/ PASS-THROUGH GRANTOR'S NUMBER	EXPENDITURES
FEDERAL GRANTS:			
CASH ASSISTANCE:			
US Department of Education			
Title I, Part A Cluster			
Title I Basic	84.010	PRC 050	$ 78,258
Total Title I, Part Cluster			78,258
Special Education Cluster			
IDEA VI-B Handicapped	84.027	PRC 060	115,881
IDEA VI-B Special Needs Targeted Assistance	84.027	PRC 118	900
IDEA VI-B Risk Pool	84.027	PRC 114	21,666
Total Special Education Cluster			138,447
Total US Departement of Education			$ 216,705
TOTAL FEDERAL CASH ASSISTANCE			$ 216,705
NC STATE GRANTS:			
CASH ASSISTANCE			
NC Department of Public Instruction			
State Public School Funds			
Summer Reading		PRC 016	39,647
Read to Achieve		PRC 046	4,870
Charter School Funds		PRC 036	5,825,631
Total State Funds			5,870,148
TOTAL FEDERAL AND STATE AWARDS			$ 6,086,853

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 under the programs of the federal government and the State of North Carolina for the year ended June 30, 2017. The information in this SEFSA is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Columbus Charter School, it is not intended Federal Awards (Uniform Guidance) and the State Single Audit to and does not present the financial position, changes in net assets or cash flows of Columbus Charter School.

Indirect Costs

The School has not elected to charge a 10% de minimus indirect cost rate to its grants and has not elected to obtain a federal indirect cost rate

Summary of Accounting Policies

Expenditures reported in the schedule of expenditures of federal and State awards are reported on the modified accrual basis of accounting.