

FINANCIAL STATEMENTS
COLUMBUS CHARTER SCHOOL
WHITEVILLE, NORTH CAROLINA
JUNE 30, 2008

FINANCIAL SECTION
COLUMBUS CHARTER SCHOOL
WHITEVILLE, NORTH CAROLINA
JUNE 30, 2008

MAUREEN JOY CHARTER SCHOOL
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Independent Auditors' Report

Board of Directors
Columbus Charter School
Whiteville, North Carolina

We have audited the accompanying financial statements of the governmental activities and each major fund of Columbus Charter School, North Carolina, from inception through the year ended June 30, 2008 which collectively comprise of Columbus Charter School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Columbus Charter School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Columbus Charter School, North Carolina from inception through the year ended June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 9, 2008 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 accompanying schedule of expenditures of federal and State awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

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

October 9, 2008

Management's Discussion and Analysis Columbus Charter School June 30, 2008

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, 2008. 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.

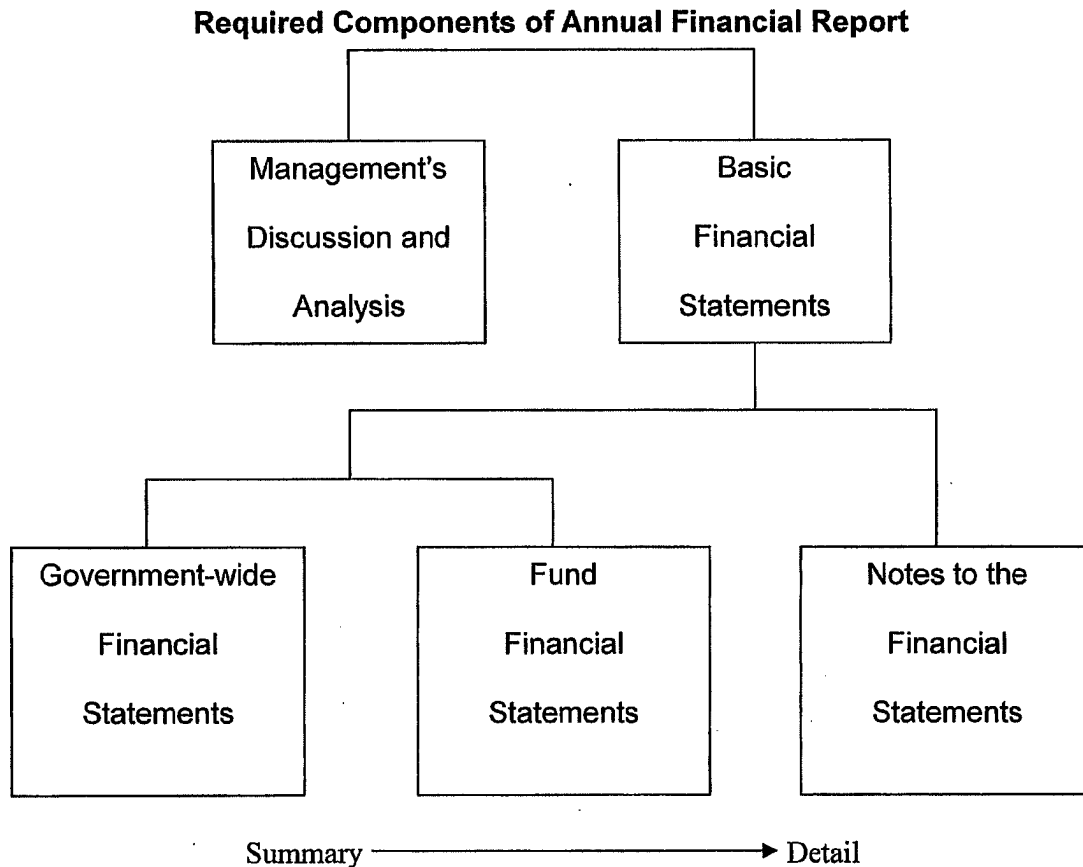
Financial Highlights

- Columbus Charter School began the fiscal year with a carryover of \$61,854 in start up funds. This carryover was necessitated by delays of Columbus County in issuing construction permits for the facilities. Applications made in February of 2007 were not approved until June, therefore work had to be postponed until July resulting in the carryover of funds to complete start up. The School appropriated \$44,517 of its prior year fund balance to fund current year operations due to a timing difference in funds being expended for start up activities. The financial statements are presented from inception through June 30, 2008.
- Columbus Charter School ended the fiscal year with assets exceeding its liabilities by \$17,337 (net assets).
- The school's total net assets increased by \$17,337.
- The delayed start caused beginning enrollment to drop from a budgeted 137 students to an actual 132 students thereby reducing projected revenues.
- Columbus Charter School had no long-term debt as of June 30, 2008.

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



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 7) 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.

**Management's Discussion and Analysis
Columbus Charter School
June 30, 2008**

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.

Management's Discussion and Analysis
Columbus Charter School
June 30, 2008

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 \$17,337 as of June 30, 2008. The School's net assets increased by \$17,337 for the fiscal year ended June 30, 2008. One of the largest portions reflects the School's investment in capital assets (e.g. machinery, transportation equipment, and instructional equipment), 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 \$17,337 is unrestricted.

Management's Discussion and Analysis
Columbus Charter School
June 30, 2008

Figure 2
Columbus Charter School's Net Assets

	Governmental Activities		Business-Type Activities	
	2008		2008	
Current and other assets	\$	16,833	\$	-
Due from other governments		2,765		-
Capital assets, net of depreciation		-		-
Total assets		19,598		-
Other liabilities		2,261		-
Long-term liabilities outstanding		-		-
Total liabilities		2,261		-
Invested in capital assets, net of related debt		-		-
Restricted		-		-
Unrestricted		17,337		-
Total net assets	\$	17,337	\$	-

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, 2008

Figure 3
Columbus Charter School's Changes in Net Assets

	Governmental Activities	Business-Type Activities	
	2008	2008	2008
School activities and fund raising	\$ -	\$ -	\$ -
Donations and Other Revenues	3,875	-	3,875
Charges for Services	-	-	-
Operating Grants and Contributions	200,000	-	200,000
County, State, and Federal Funds	946,427	-	946,427
Total revenues	1,150,302	-	1,150,302
Instructional Programs	1,020,963	-	1,020,963
Support services	112,002	-	112,002
School food service	-	-	-
Fund raising	-	-	-
Interest on long-term debt	-	-	-
Total expenses	1,132,965	-	1,132,965
Increase (Decrease) in net assets before transfers	17,337	-	17,337
Transfers	-	-	-
Increase (Decrease) in net assets	17,337	-	17,337
Net assets, July 1	-	-	-
Net assets, June 30	\$ 17,337	\$ -	\$ 17,337

Governmental activities. Governmental activities increased the School's net assets by \$17,337. This increase is a result of operations during the current fiscal year.

- **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, 2008**

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 \$17,337, while total fund balance reached \$17,337.

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

Proprietary Funds. The School's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Other factors concerning the finances of this fund have already been addressed in the discussion of the School's business-type activities.

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, 2008, totals \$0 (net of accumulated depreciation).

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, 2008, Columbus Charter School no outstanding debt.

Economic Factors

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

- While the delayed start up resulted in a lower initial enrollment of 132 students in grades K-2 in June of 2007 for this fiscal year, by February, 2008, the school had written applications on file for nearly 280 students in grades K-3.
- Reduced economic activity in the area may have resulted in attracting some students who might have been attending or planning to attend private schools.
- Increased gasoline prices may serve to reduce enrollment potential from more remote areas.

Management's Discussion and Analysis
Columbus Charter School
June 30, 2008

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 the Mr. Mark Dudeck, Assistant Treasurer, Charter Day School, 7055 Bacon's Way, Leland, NC 28451, 910/655-1214.

Columbus Charter School
Statement of Net Assets
June 30, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 16,833	\$ -	\$ 16,833
Receivables - other (net)	2,765	-	2,765
Receivables - related party	-	-	-
Capital assets:			
Land, improvements, and construction in progress	-	-	-
Other capital assets, net of depreciation	-	-	-
Total capital assets	-	-	-
Total assets	19,598	-	19,598
LIABILITIES			
Accounts payable - trade	2,261	-	2,261
Accrued salaries and wages payable	-	-	-
Long-term liabilities:			
Due within one year	-	-	-
Due in more than one year	-	-	-
Total liabilities	2,261	-	2,261
NET ASSETS			
Invested in capital assets, net of related debt	-	-	-
Restricted for:			
Clubs and activities	-	-	-
Unrestricted	17,337	-	17,337
Total net assets	\$ 17,337	\$ -	\$ 17,337

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

Columbus Charter School
Statement of Activities
From Inception Through the Year Ended June 30, 2008

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	\$ 1,020,963	\$ -	\$ 175,285	\$ -	\$ (845,678)	\$ -	\$ (845,678)
Support services	112,002	-	24,715	-	(87,287)	-	(87,287)
Non-programmed charges	-	-	-	-	-	-	-
Interest on short-term debt	-	-	-	-	-	-	-
Total governmental activities	1,132,965	-	200,000	-	(932,965)	-	(932,965)
Business-type activities:							
School food service	-	-	-	-	-	-	-
Fund Raising	-	-	-	-	-	-	-
Total business-type activities	-	-	-	-	-	-	-
Total primary government	\$ 1,132,965	\$ -	\$ 200,000	\$ -	(932,965)	-	(932,965)
General revenues:							
Unrestricted county appropriations					93,532	-	93,532
Unrestricted State appropriations					752,895	-	752,895
Unrestricted Federal appropriations					100,000	-	100,000
Donations - general					-	-	-
Investment earnings, unrestricted					3,820	-	3,820
Miscellaneous, unrestricted					55	-	55
Transfers					-	-	-
Total general revenues, special items, and transfers					950,302	-	950,302
Change in net assets					17,337	-	17,337
Net assets-beginning					-	-	-
Net assets-ending					\$ 17,337	\$ -	\$ 17,337

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

**Columbus Charter School
Balance Sheet
Governmental Funds
June 30, 2008**

	Major Funds			Total Governmental Funds
	General	State Public School	Federal Grants	
ASSETS				
Cash and cash equivalents	\$ 16,833	\$ -	\$ -	\$ 16,833
Accounts Receivable - other (net)	2,765	-	-	2,765
Accounts Receivable - related party	-	-	-	-
Total assets	<u>\$ 19,598</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,598</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable - trade	\$ -	\$ -	\$ -	\$ -
Accounts payable - related party	2,261	-	-	2,261
Short term note payable	-	-	-	-
Total liabilities	<u>2,261</u>	<u>-</u>	<u>-</u>	<u>2,261</u>
Fund balances:				
Reserved for:				
Inventories	-	-	-	-
Prepaid items	-	-	-	-
Unreserved, General Fund	17,337	-	-	17,337
Unreserved, reported in:				
Special Revenue Fund	-	-	-	-
Total fund balances	<u>17,337</u>	<u>-</u>	<u>-</u>	<u>17,337</u>
Total liabilities and fund balances	<u>\$ 19,598</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.

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

\$ 17,337

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
From Inception Through the Year Ended June 30, 2008

	Major Funds			Total Governmental Funds
	General	State Public School	Federal Grants	
REVENUES				
State of North Carolina	\$ -	\$ 752,895	\$ -	\$ 752,895
Local education agencies	93,532	-	-	93,532
U.S. Government	100,000	-	200,000	300,000
Contributions and donations	-	-	-	-
Investment earnings	3,820	-	-	3,820
Other	55	-	-	55
Total revenues	197,407	752,895	200,000	1,150,302
EXPENDITURES				
Current:				
Instructional programs	204,215	641,463	175,285	1,020,963
Support services	31,596	55,691	24,715	112,002
Non-programmed charges	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	235,811	697,154	200,000	1,132,965
Excess (deficiency) of revenues over expenditures	(38,404)	55,741	-	17,337
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	-	-
Proceeds from short-term note	290,000	-	-	290,000
Repayment to short-term note	(234,259)	(55,741)	-	(290,000)
Capital lease obligations issued	-	-	-	-
Total other financing sources (uses)	55,741	(55,741)	-	-
Net change in fund balance	17,337	-	-	17,337
Fund balances-beginning	-	-	-	-
Fund balances-ending	\$ 17,337	\$ -	\$ -	\$ 17,337

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
From Inception Through the Year Ended June 30, 2008

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

Net changes in fund balances - total governmental funds	\$ 17,337
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	-
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><u>\$ 17,337</u></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, 2008

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 133 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.

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, 2008. 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.

The School has not capitalized any assets as of June 30, 2008.

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 2008-09 budget ordinance.

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

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, 2008, the Columbus Charter School received funding from the Boards of Education for Bladen County, Columbus County, and Whiteville City.

II. Stewardship, Compliance, and Accountability

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

None.

Contractual Violations

None.

B. Deficit Fund Balance or Net Assets of Individual Funds

None.

III. Detail Notes on All Funds

A. Assets

1. Deposits

At June 30, 2008, the School had deposits with banks and savings and loans with a carrying amount of \$16,833. The bank balance with the financial institutions was \$17,710, which was covered by federal depository insurance. The School does not have a deposit policy for custodial credit risk.

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, 2008, the retirement cost to the School was \$0, with employees contributing \$0.

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. 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 \$156,804 on this lease agreement for the year ended June 30, 2008. 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 \$9,777 on this lease agreement during the year ended June 30, 2008.

Future minimum lease payments are included in the schedule below.

Year Ending June 30

2009	\$	167,608
2010		157,831
2011		156,804
2012		156,804
2013		156,804
2014-2018		627,216

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, 2008, management and maintenance fees were paid to Roger Bacon Academy in the amount of \$302,201. Rent paid to Roger Bacon Academy for the use of facility and equipment was \$156,804 for the year ended June 30, 2008.

At June 30, 2008, the School owes Roger Bacon Academy \$2,261 for expenses paid on their behalf.

The School borrowed \$290,000 on July 18, 2007 from Charter Day School, a related party. The School repaid the loan in two payments. The first payment was made on September 23, 2007 for \$230,000 and the second was made on November 21, 2007 for the remaining \$60,000.

Charter Day School paid the second quarter unemployment insurance payment of \$878 to the Employment Security Commission on behalf of Columbus Charter. Columbus repaid this money June 29, 2008.

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.

Columbus Charter School
All Fund Types Except Federal Grants Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception Through the Year Ended June 30, 2008

	2008		Favorable (Unfavorable) Variance
	Final Budget	Actual	
Revenues:			
State of North Carolina	\$ 752,895	\$ 752,895	\$ -
Board(s) of Education:			
Bladen County	31,676	31,676	-
Columbus County	38,692	38,692	-
Whiteville City	23,164	23,164	-
Investment earnings	2,665	2,665	-
Others	55	55	-
Total	<u>849,147</u>	<u>849,147</u>	<u>-</u>
Expenditures:			
Salaries & Bonuses	283,527	283,526	1
Benefits	55,377	55,377	-
Books & Supplies	42,719	42,123	596
Technology	4,763	4,763	-
Non Capitalized Equipment	32,016	31,866	150
Contracted Student Services	18,344	18,206	138
Staff Development	872	872	-
Administrative Services	317,441	317,405	36
Insurances	9,493	9,493	-
Rents & Debt Service	382,191	382,191	-
Facilities	15,600	15,196	404
Utilities	19,628	19,628	-
Nutrition & Food	185	185	-
Transportation & Travel	2,833	2,833	-
Total expenditures	<u>1,184,989</u>	<u>1,183,664</u>	<u>1,325</u>
Other financing sources (uses):			
Fund balance appropriated	61,854	61,854	-
Proceeds from loan	290,000	290,000	-
Total other financing sources and (uses)	<u>351,854</u>	<u>351,854</u>	<u>1,903</u>
Excess of revenue over expenditures	<u>\$ 16,012</u>	<u>\$ 17,337</u>	<u>\$ 3,228</u>

Statement 4

**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, 2008**

	2008		
	Final Budget	Actual	Favorable (Unfavorable) Variance
Revenues:			
Idea VI-B Sliver Grant	\$ 1,000	\$ -	\$ (1,000)
Idea VI-B Handicapped Grant	16,898	-	(16,898)
Continuing Federal Aid	200,000	200,000	-
Improving Teacher Quality	1,554	-	(1,554)
Total	<u>219,452</u>	<u>200,000</u>	<u>(19,452)</u>
Expenditures:			
Salaries & Bonuses	15,698	-	15,698
Benefits	1,200	-	1,200
Books & Supplies	67,195	66,195	1,000
Technology	7,828	7,828	-
Non-Capitalized Equipment & Leases	45,715	45,715	-
Staff Development	1,554	-	1,554
Administrative Services	899	899	-
Rents & Debt Service	78,402	78,402	-
Facilities	961	961	-
Total expenditures	<u>219,452</u>	<u>200,000</u>	<u>19,452</u>
 Excess of revenue over expenditures	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>

COMPLIANCE SECTION
COLUMBUS CHARTER SCHOOL
WHITEVILLE, NORTH CAROLINA
JUNE 30, 2008

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

Board of Directors
Columbus Charter School
Whiteville, North Carolina

We have audited the accompanying financial statements of the governmental activities and each major fund of the Columbus Charter School, North Carolina as of and for the year ended June 30, 2008, which collectively comprises the Columbus Charter School's basic financial statements and have issued our report thereon dated October 9, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

Petway Mills & Pearson, PA

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

October 9, 2008

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, 2008. 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, 2008.

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.

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.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

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

October 9, 2008

COLUMBUS CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

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? yes X none reported

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

Any audit findings disclosed that are required
to be reported in accordance with Section 510(a)
of Circular A-133 yes 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, 2008

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, 2008

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, 2008

The School began serving students during the year ended June 30, 2008.

COLUMBUS CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FROM INCEPTION THROUGH THE YEAR ENDED JUNE 30, 2008

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>			
Continuing Federal Aid		84.282	\$ 300,000
TOTAL FEDERAL CASH ASSISTANCE			300,000
NC STATE GRANTS:			
CASH ASSISTANCE			
<u>NC Department of Public Instruction</u>			
State Public School Funds (PRC 36 -- Charter School Funds)		XXXX	<u>752,895</u>
TOTAL FEDERAL AND STATE AWARDS			<u>\$ 1,052,895</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.