

**DRAFT**

FINANCIAL STATEMENTS  
PAVE SOUTHEAST RALEIGH CHARTER SCHOOL  
RALEIGH, NORTH CAROLINA  
JUNE 30, 2018

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PAVE SOUTHEAST RALEIGH CHARTER SCHOOL  
TABLE OF CONTENTS  
JUNE 30, 2018



FINANCIAL SECTION

Independent Auditors' Report		6
Management's Discussion and Analysis		8
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	1	15
Statement of Activities	2	16
Fund Financial Statements:		
Balance Sheet - Governmental Funds	3	17
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	3	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	4	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities - Governmental Funds	5	19
Statement of Net Position - Proprietary Fund	6	20
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund	7	21
Statement of Cash Flows - Proprietary Fund	8	22
Notes to the Basic Financial Statements		23

PAVE SOUTHEAST RALEIGH CHARTER SCHOOL  
 TABLE OF CONTENTS  
 JUNE 30, 2018



Required Supplementary Information:

Balance Sheet - Non-major Governmental Fund	1	36
Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-major Governmental Fund	2	37
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Government-wide Budget except for Federal Grants	3	38
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Federal Grants Fund	4	39

COMPLIANCE SECTION

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 <i>Government Auditing Standards</i>	41
Independent Auditors' Report on Compliance for Each Major State Program and on Internal Control over Compliance in Accordance with Uniform Guidance and the State Single Audit Implementation Act	43
Schedule of Findings and Questioned Costs	45
Corrective Action Plan	47
Summary Schedule of Prior Years' Audit Findings	48
Schedule of Expenditures of Federal and State Awards	49

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FINANCIAL SECTION  
PAVE SOUTHEAST RALEIGH CHARTER SCHOOL  
RALEIGH, NORTH CAROLINA  
JUNE 30, 2018

## Independent Auditors' Report

To the Board of Directors  
PAVE Southeast Raleigh Charter School  
Raleigh, North Carolina

**DRAFT**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the PAVE Southeast Raleigh Charter School, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the PAVE Southeast Raleigh 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 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 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, the business-type activities, each major fund, and the aggregate remaining fund information of the PAVE Southeast Raleigh Charter School as of June 30, 2018, and the respective changes in financial position for the year ended June 30, 2018 and, where applicable, cash flows thereof 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 14 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 the PAVE Southeast Raleigh Charter School's basic financial statements. The individual non-major fund financial statements and budgetary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The individual non-major fund financial statements, budgetary schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards is the responsibility of management and was derived from and relates 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, individual non-major fund financial statements, budgetary schedules, 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 XXXX on our consideration of PAVE Southeast Raleigh 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 PAVE Southeast Raleigh Charter School's internal control over financial reporting and compliance.

*Petway Mills & Pearson, PA*

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

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PAVE Southeast Raleigh Charter School  
Statement of Net Position  
June 30, 2018

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	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 373,603	\$ 19,844	\$ 393,447
Receivables (net)	60,381	-	60,381
Due from other governments	75,643	20,688	96,331
Prepaid items	4,874	-	4,874
Capital assets:			
Other capital assets, net of depreciation	6,752,450	3,291	6,755,741
Total capital assets	6,752,450	3,291	6,755,741
Total assets	7,266,951	43,823	7,310,774
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
	-	-	-
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	41,492	10,259	51,751
Accrued salaries and wages payable	88,709	-	88,709
Long-term liabilities:			
Due within one year	117,137	-	117,137
Due in more than one year	6,716,175	-	6,716,175
Total liabilities	6,963,513	10,259	6,973,772
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable grant revenue	62,445	-	62,445
<b>NET POSITION</b>			
Net investment in capital assets	(80,862)	3,291	(77,571)
Restricted for:			
Clubs and activities	-	-	-
Unrestricted	321,855	30,273	352,128
Total net position	\$ 240,993	\$ 33,564	\$ 274,557

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



PAVE Southeast Raleigh Charter School  
Statement of Activities  
For the year ended June 30, 2018

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>						
Governmental activities:						
Instructional services	\$ 2,049,880	\$ -	223,943	\$ (1,825,937)	\$ -	(1,825,937)
System-wide support services	797,865	-	-	(797,865)	-	(797,865)
Interest on long-term debt	336,578	-	-	(336,578)	-	(336,578)
Total governmental activities	3,184,323	-	223,943	(2,960,380)	-	(2,960,380)
<b>Business-type activities:</b>						
School food service	366,979	-	233,010	-	(133,969)	(133,969)
Total business-type activities	366,979	-	233,010	-	(133,969)	(133,969)
Total primary government	\$ 3,551,302	\$ -	456,953	(2,960,380)	(133,969)	(3,094,349)
General revenues:						
Unrestricted county appropriations				743,663	-	743,663
Unrestricted State appropriations				1,839,756	-	1,839,756
Unrestricted Federal appropriations				-	-	-
Donations - general				256,359	-	256,359
Investment earnings, unrestricted				25	-	25
Miscellaneous, unrestricted				178,572	-	178,572
Transfers				(136,540)	136,540	-
Total general revenues, special items, and transfers				2,881,835	136,540	3,018,375
Change in net position				(78,545)	2,571	(75,974)
Net position-beginning				319,538	30,993	350,531
Net position-ending				\$ 240,993	\$ 33,564	\$ 274,557

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

PAVE Southeast Raleigh Charter School  
Balance Sheet  
Governmental Funds  
June 30, 2018

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	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General	State Public School	Federal Grants Fund	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 373,603	\$ -	\$ -	\$ 373,603
Receivables (net)	60,381	-	-	60,381
Due from other governments	75,643	-	-	75,643
Prepaid items	4,874	-	-	4,874
Total assets	<u>\$ 514,501</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 514,501</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued expenses	\$ 41,492	\$ -	\$ -	\$ 41,492
Accrued salaries and wages payable	88,709	-	-	88,709
Total liabilities	<u>130,201</u>	<u>-</u>	<u>-</u>	<u>130,201</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable grant revenue	62,445	-	-	62,445
Fund balances:				
Nonspendable:				
Prepaid items	4,874	-	-	4,874
Assigned:				
Clubs and Activities	-	-	-	-
Unassigned:	316,981	-	-	316,981
Total fund balances	<u>321,855</u>	<u>-</u>	<u>-</u>	<u>321,855</u>
Total liabilities and fund balances	<u>\$ 452,056</u>	<u>\$ -</u>	<u>\$ -</u>	

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.

6,752,450

Net pension asset (liability)

-

Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.

-

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).

(6,833,312)

Pension related deferrals

-

Net position of governmental activities

\$ 240,993

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

PAVE Southeast Raleigh Charter School  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the year ended June 30, 2018

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	Major Funds		Total Non- Major Funds	Total Governmental Funds
	General	State Public School	Federal Grants Fund	
<b>REVENUES</b>				
State of North Carolina	\$ -	\$ 1,839,756	\$ -	\$ 1,839,756
Local education agencies	743,663	-	-	743,663
U.S. Government	-	-	223,943	223,943
Contributions and donations	256,359	-	-	256,359
Other	178,597	-	-	178,597
Total revenues	1,178,619	1,839,756	223,943	3,242,318
<b>EXPENDITURES</b>				
<b>Current:</b>				
Instructional services	640,043	975,087	223,943	1,839,073
System-wide support services	206,500	521,094	-	727,594
<b>Capital outlay:</b>	44,304	44,812	-	89,116
<b>Debt service:</b>				
Principal	37,189	74,378	-	111,567
Interest and other charges	112,193	224,385	-	336,578
Total expenditures	1,040,229	1,839,756	223,943	3,103,928
Excess (deficiency) of revenues over expenditures	138,390	-	-	138,390
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to other funds	(136,540)			(136,540)
Total other financing sources (uses)	(136,540)	-	-	(136,540)
Net change in fund balance	1,850	-	-	1,850
Fund balances-beginning	320,005	-	-	320,005
Fund balances-ending	\$ 321,855	\$ -	\$ -	\$ 321,855

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

PAVE Southeast Raleigh Charter School  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the  
 Statement of Activities  
 Governmental Funds  
 For the year ended June 30, 2018

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Amounts reported for governmental activities in the Statement of Activities are different

Net changes in fund balances - total governmental funds	\$	1,850
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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.		(191,962)
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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 position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		111,567
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences		-
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Total changes in net position of governmental activities	\$	<u>(78,545)</u>
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The notes to the financial statements are an integral part of this statement.

**PAVE Southeast Raleigh Charter School  
Statement of Net Position  
Proprietary Fund  
June 30, 2018**

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Enterprise Fund
Major Fund
School Food Service

**ASSETS**

Current assets:

Cash and cash equivalents	\$	19,844
Receivables (net)		20,688
Total current assets		40,532

Noncurrent assets:

Capital assets:

Other capital assets, net of depreciation		3,291
Total noncurrent assets		3,291
Total assets	\$	43,823

**LIABILITIES**

Current liabilities:

Accounts payable and accrued expenses	\$	10,259
Accrued salaries and wages payable		-
Total current liabilities		10,259

Long-term liabilities:

Due within one year		-
Due in more than one year		-
Total long-term liabilities		-
Total liabilities		10,259

**NET POSITION**

Net investment in capital assets		3,291
Unrestricted		30,273
Total net position	\$	33,564

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

PAVE Southeast Raleigh Charter School  
 Statement of Revenues, Expenses, and Changes in Fund Net Position  
 Proprietary Fund  
 For the year ended June 30, 2018

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	Enterprise Fund
	Major Fund
	School Food Service
<b>OPERATING REVENUES</b>	
Food sales	\$ -
Miscellaneous	-
Total operating revenues	-
<b>OPERATING EXPENSES</b>	
Food cost:	
Purchase of food	-
Donated commodities	-
Salaries and benefits	56,830
Supplies and materials	1,835
Depreciation	959
Contracted services	307,355
Other	-
Total operating expenses	366,979
Operating income (loss)	(366,979)
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Federal reimbursements	233,010
Total nonoperating revenue (expenses)	233,010
Income (loss) before contributions and transfers	(133,969)
Capital contributions	-
Transfers from other funds	136,540
Change in net position	2,571
Total net position - beginning	30,993
Total net position - ending	\$ 33,564

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

**PAVE Southeast Raleigh Charter School**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the year ended June 30, 2018**

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Enterprise Fund
Major Fund
School Food Service

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers	\$ 9,585
Cash paid for goods and services	(298,931)
Cash paid to employees for services	(56,830)
Net cash provided (used) by operating activities	(346,176)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Federal reimbursements	233,010
Transfers from other funds	136,540
Net cash provided (used) by noncapital financing activities	369,550

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Acquisition of capital assets	(3,530)
Net cash provided (used) by capital and related financing activities	(3,530)

Net increase (decrease) in cash and cash equivalents	19,844
Balances-beginning of the year	-
Balances-end of the year	\$ 19,844

## Reconciliation of operating income (loss) to net cash provided (used) by operating activities

Operating income (loss)	\$ (366,979)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	959
Changes in assets and liabilities	
Decrease (Increase) in receivables, net	9,585
Increase (Decrease) in accounts payable and accrued expenses	10,259
Total adjustments	20,803
Net cash (used) by operating activities	\$ (346,176)

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

**PAVE Southeast Raleigh Charter School**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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I. Summary of Significant Accounting Policies

The accounting policies of the PAVE Southeast Raleigh Charter School, North Carolina (School) conform to generally accepted accounting principles (GAAP) as applicable to governments. Charter schools are established by non-profit entities, such as PAVE. Because of the authority of the State Board of Education (the "SBE") to terminate, not renew or seek applicants to assume a charter on grounds sent out in the North Carolina General Statutes at G.S. 115C-218.95 with all net assets purchased with public funds reverting to a local education agency (G.S. 115C-218.100), 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 PAVE Southeast Raleigh Charter School is a North Carolina non-profit corporation incorporated in November 2013. Pursuant to the provisions of the Charter School Act of 1996 as amended (the "Act"), PAVE Southeast Raleigh Charter School has been approved to operate the School, a public school serving approximately 303 students. The School operates under an approved charter received from the SBE and applied for under the provisions of G.S. 115C-218.1. G.S. 115C-218.6(b)(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), and requires the financial statements to be prepared in accordance with GAAP. The current charter is effective until June 30, 2020 and may be renewed for subsequent periods of ten (10) years unless one of the conditions in G.S. 115C-218.6(b) applies in which case the SBE may renew the charter for a shorter period or not renew the charter.

B. Basis of Presentation

In accordance with GASB Statement No. 34, Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments ("GASB 34"), the School is a special purpose government that is engaged in governmental activities and is not a component unit of another government. Therefore, the financial statements are prepared in the same manner as general purpose governments.

*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.



**PAVE Southeast Raleigh Charter School  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2018**

**DRAFT**

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. Nonoperating 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 major enterprise fund:

*School Food Service Fund.* The School Food Service Fund is used to account for the food service program within the school system.

**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 is 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. 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, 2018. All appropriations lapse at year end.

**PAVE Southeast Raleigh Charter School  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2018**

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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.

2. Cash and Cash Equivalents

The School pools money from several funds to facilitate disbursement and investment and to maximize investment income. All cash and investments with original maturities of three months or less are considered cash and cash equivalents.

3. Inventories and Prepaid Items

The inventories of the School are valued at cost, and the School uses the first-in, first-out (FIFO) flow assumption in determining cost. Governmental fund inventories consist of supplies and are recorded as expenses when consumed. Proprietary fund inventories consist of food and supplies and are also recorded as expenses when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. 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 acquisition value. All other capital assets are recorded at 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 \$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.

Capital assets are depreciated over the following estimated useful lives:

	<u>Years</u>
Buildings	30
Computer Network Equipment	5
Computers	3
Furniture & Fixtures	7
Instructional Equipment	5
Software	3

5. 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

**PAVE Southeast Raleigh Charter School  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2018**



position that applies to a future period and so will not be recognized as revenue until they are available. The School had unavailable grant revenue during the year that meet the criterion for this category during this year. See Note III.B.4 for additional information.

**6. 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.

**7. Compensated Absences**

The School allows eleven month full-time employees to use up to four personal days and four sick leave days each academic year. Eleven month part-time employees receive both personal and sick leave days on a prorated basis. Twelve month full-time employees are allowed to use up to four personal days, four sick leave days, and eleven vacation days for each academic year. Twelve month part-time employees receive personal, sick leave, and vacation days on a prorated basis. All personal, sick leave, and vacation days expire at the end of the year for all employees. Therefore, the School has no obligation for compensated absences and no accrual has been made.

**8. Net Position/Fund Balances**

**Net Position**

Net position in the government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents 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 Balance**

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

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

Inventories - portion of fund balance that is not an available resource because it represents the year-end balance of 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.

**PAVE Southeast Raleigh Charter School  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2018**

DRAFT

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

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

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

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

PAVE Southeast Raleigh Charter School has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer 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 Finance Officer has the authority to deviate from this policy if it is in the best interest of the School.

9. The governmental fund balance sheet includes reconciliation between governmental funds' total fund balance and governmental activities' net position as reported in the government-wide statement of net position. The net adjustment of (\$80,862) consists of several elements as follows:

<u>DESCRIPTION</u>	<u>AMOUNT</u>
Capital assets used in governmental activities are not financial resources are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column).	\$ 7,341,633
Less accumulated depreciation	(589,183)
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:	
Bonds, leases, and installment financing	(6,833,312)
Compensated absences	-
Accrued interest payable	-
Total adjustment	\$ (80,862)

**F. Revenues, Expenditures, and Expenses**

**1. Funding**

The PAVE Southeast Raleigh 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 (Wake 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 School receives, for each student who resides in the local administrative unit and attends

**PAVE Southeast Raleigh Charter School  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2018**

DRAFT

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 which is transferred by the appropriate local school administrative unit(s). [G.S. 115C-238.29H(b)]. For the fiscal year ended June 30, 2018, the PAVE Southeast Raleigh Charter School received funding from the Boards of Education for Johnston County, Hoke County, and Wake County.

Furthermore, PAVE Southeast Raleigh Charter School has received donations of cash and/or equipment from private organizations. The cash has been used for the purchase of new equipment for the School's facilities.

**2. Reconciliation between government-wide and fund statements**

The governmental fund statement of revenues, expenditures, and changes in fund balance is followed by reconciliation between the change in governmental funds' fund balance and the change in governmental activities' net position as reported on the government-wide statement of activities. The net difference of (\$80,395) between the two amounts consists of the following elements:

<u>DESCRIPTION</u>	<u>AMOUNT</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets on the statement of activities.	\$ 89,116
Depreciation expense that is recorded on the statement of activities but not in the fund statements.	(281,078)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements.	111,567
Total	\$ (80,395)

**II. Stewardship, Compliance, and Accountability**

**A. Significant 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

**PAVE Southeast Raleigh Charter School  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2018**

DRAFT
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III. Detail Notes on All Funds

A. Assets

1. Deposits

At June 30, 2018, the School had deposits with banks and savings and loans with a carrying amount of \$393,447. The bank balance with the financial institutions was \$532,310. Federal Deposit Insurance Corporation (FDIC) covers \$250,000 per bank. The School has a balance of \$139,788 that was not insured by the FDIC. The School does not have a deposit policy for custodial credit risk. The School does not hold petty cash.

2. Capital Assets

Capital asset activity for the year ended June 30, 2018:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets being depreciated				
Buildings	\$ 7,076,370	\$ -	\$ -	\$ 7,076,370
Computer network equipment	65,590	44,786	-	110,376
Computers	42,248	3,430	-	45,678
Furniture and fixtures	50,016	16,176	-	66,192
Instructional equipment	14,520	24,724	-	39,244
Software	3,773	-	-	3,773
Total capital assets being depreciated	7,252,517	89,116	-	7,341,633
Less accumulated depreciation				
Buildings	255,536	235,879	-	491,415
Computer network equipment	15,783	16,466	-	32,249
Computers	19,881	14,559	-	34,440
Furniture and fixtures	10,417	8,570	-	18,987
Instructional equipment	4,168	4,346	-	8,514
Software	2,320	1,258	-	3,578
Total accumulated depreciation	308,105	\$ 281,078	\$ -	589,183
Total capital assets being depreciated, net	6,944,412			6,752,450
Governmental activities capital assets, net	\$ 6,944,412			\$ 6,752,450

Depreciation expense is charged to governmental functions as follows:

Instructional services	\$ 210,809
System-wide support services	70,269
	\$ 281,078

**PAVE Southeast Raleigh Charter School  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2018**

DRAFT
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	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
Capital assets being depreciated				
Kitchen Equipment	\$ -	\$ 3,530	\$ -	\$ 3,530
Software	1,995	-	-	1,995
Total capital assets being depreciated	1,995	3,530	-	5,525
Less accumulated depreciation				
Kitchen Equipment	-	294	-	294
Software	1,275	665	-	1,940
Total accumulated depreciation	1,275	\$ 959	\$ -	2,234
Total capital assets being depreciated, net	720			3,291
Business-type activities capital assets, net	\$ 720			\$ 3,291

**B. Liabilities**

**1. Pension Plan Obligations**

**a. Retirement Plan**

Plan Description - PAVE Southeast Raleigh Charter School offers a 401(k) retirement plan with ADP. Plan members could contribute up to \$18,000 of their annual salary and the School would match up to 2% of their annual salary. The School contributed \$4,859 to the plan during the year, with the employees contributing \$24,668.

**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. Capital Leases (Related Party)**

The School entered into a lease agreement with PAVE 3420 Idlewood Village, LLC (a related party) for a building. The present value of the base rent lease payments is greater than 90% of the asset's market value, and therefore this lease is classified as a capital lease. The obligations have been recorded at the fair market value at the date of inception of the lease.

**PAVE Southeast Raleigh Charter School  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2018**

DRAFT

At June 30, 2018, assets recorded under the capital leases were as follows:

Classes of Property	Cost	Accumulated Amortization	Net Book Value
Building	\$ 7,076,370	\$ 491,415	\$ 6,584,955
<b>Total</b>	<b>\$ 7,076,370</b>	<b>\$ 491,415</b>	<b>\$ 6,584,955</b>

The following is a schedule of the future minimum lease payments and the net present value of the minimum lease payments as of June 30, 2018:

Year Ending June 30	
2019	\$ 448,145
2020	448,145
2021	448,145
2022	448,145
2023	448,145
2024 - 2028	2,240,723
2029 - 2033	2,240,722
2034 - 2038	2,240,723
2039 - 2043	2,240,722
2044 - 2048	1,344,433
Total minimum lease payments	12,548,048
Less: amount representing interest	5,714,736
Present value of the minimum lease payments	\$ 6,833,312

**b. Changes in General Long-Term Obligations**

The following is a summary of changes in the School's long-term obligations for the fiscal year ended June 30, 2018:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental activities:					
Capitalized leases	\$ 6,944,879	\$ -	\$ 111,567	\$ 6,833,312	\$ 117,137
<b>Total</b>	<b>\$ 6,944,879</b>	<b>\$ -</b>	<b>\$ 111,567</b>	<b>\$ 6,833,312</b>	<b>\$ 117,137</b>

**4. Deferred Inflows of Resources**

The balance in deferred inflows of resources at year end is composed of the following:

Year Ending June 30	Unavailable Grant Revenue
2019	\$ 62,445
<b>Total</b>	<b>\$ 62,445</b>



**PAVE Southeast Raleigh Charter School  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2018**

DRAFT

Unavailable Grant Revenue consists of \$60,000 grant revenue from PAVE Schools, Inc. that was not received, from the original \$1,000,000 grant commitment, during the fiscal year ended June 30, 2018. PAVE Southeast Raleigh Charter School received \$240,000 from PAVE Schools, Inc. during the fiscal year ended June 30, 2018. Unavailable Grant Revenue also consists of \$2,445 grant revenue from the Kenan Charitable Trust that was not received during the fiscal year ended June 30, 2018. The School received \$10,993 from the Kenan Charitable Trust during the fiscal year ended June 30, 2018.

**5. Interfund Balances and Activity**

The General Fund transferred \$136,540 to the School Food Service Fund to help cover the cost of food services.

**6. Fund Balance**

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

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

Total fund balance	\$ 321,855
Less:	-
Prepaid Items	4,874
Appropriated Fund Balance in 2019 budget	-
Remaining Fund Balance	\$ 316,981

**IV. Commitments**

The School has entered into a contract for the provision of waste services until June 30, 2019. Obligations under this agreement are \$1,616 per year. The School paid \$9,305 under the terms of this agreement during the year ended June 30, 2018.

The School has entered into a contract for the provision of financial services until June 30, 2019. Obligations under this agreement are based on enrollment. The School paid \$77,339 under the terms of this agreement during the year ended June 30, 2018.

**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.

PAVE Southeast Raleigh Charter School  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2018

VI. Significant Effects of Subsequent Events

**DRAFT**

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 date of the independent auditors' report. The School has not evaluated subsequent events after that date. There were no subsequent events during this period that requires disclosure.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**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.

PAVE Southeast Raleigh Charter School  
 Non-Major Governmental Fund  
 Balance Sheet  
 June 30, 2018

Statement 1

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Special Revenue Fund
Federal Grants Fund

**ASSETS**

Current assets:		
Cash and cash equivalents	\$	-
Receivables (net)		-
Total current assets		-
Noncurrent assets:		
Capital assets:		
Other capital assets, net of depreciation		-
Total noncurrent assets		-
Total assets	\$	-

**LIABILITIES**

Current liabilities:		
Accounts payable and accrued expenses	\$	-
Accrued salaries and wages payable		-
Total current liabilities		-
Long-term liabilities:		
Due within one year		-
Due in more than one year		-
Total long-term liabilities		-
Total liabilities		-

**NET POSITION**

Net investment in capital assets		-
Unrestricted		-
Total net position	\$	-

PAVE Southeast Raleigh Charter School  
 Non-major Governmental Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 For the year ended June 30, 2018

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Special Revenue Fund
Federal Grants Fund

Revenues:

U.S. Government:

Title I Basic	\$	161,795
IDEA VI-B Handicapped		48,802
Supporting Effective Instruction		13,346
IDEA VI-B Special Needs Targeted Assistance		-
Total revenues		223,943

Expenditures:

Current:

Instructional services:

Regular services		13,346
Special services		48,802
Alternative Programs and services		161,795
Total instructional services		223,943

Total expenditures

223,943

Revenues over expenditures

-

Fund balances:

Beginning of year, July 1

End of year, June 30

	-
\$	-

PAVE Southeast Raleigh Charter School  
 All Fund Types Except Federal Grants Fund  
 Statement of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual, Government-wide Budget  
 For the year ended June 30, 2018

DRAFT
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	2018		
	Final Budget	Actual	Favorable (Unfavorable) Variance
Revenues:			
State of North Carolina	\$ 1,866,744	\$ 1,839,756	\$ (26,988)
Board(s) of Education:			
Hoke County	567	564	(3)
Johnston County	11,108	11,108	-
Wake County	731,991	731,991	-
U.S. Government	-	-	-
Fines and forfeitures	-	-	-
Lunch	233,100	233,010	(90)
Contributions and donations	258,839	256,359	(2,480)
Other	179,862	178,597	(1,265)
Total revenues	3,282,211	3,251,385	(30,826)
Expenditures:			
Salaries and bonuses	1,199,824	1,172,799	27,025
Benefits	303,722	303,570	152
Books and supplies	97,003	96,818	185
Technology	28,710	28,699	11
Non-Cap Equipment and Leases	22,875	22,837	38
Contracted Student Services	128,710	128,633	77
Staff Development	15,330	10,369	4,961
Administrative Services	136,835	136,801	34
Insurance	43,677	43,659	18
Rents and Debt Service	448,145	448,145	-
Facilities	151,125	151,078	47
Utilities	110,320	110,267	53
Nutrition and Food	317,095	314,504	2,591
Transportation and Travel	186,175	186,139	36
Capital Purchases	92,665	92,646	19
Total expenditures	3,282,211	3,246,964	35,247
Other financing sources (uses):			
Appropriated Fund Balance	-	-	-
Total other financing sources and (uses)	-	-	-
Excess of revenues over expenditures	\$ -	\$ 4,421	\$ 4,421

PAVE Southeast Raleigh Charter School  
Federal Grants Fund  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the year ended June 30, 2018

DRAFT

	2018		
	Final Budget	Actual	Favorable (Unfavorable) Variance
Revenues:			
Title I Basic	\$ 162,538	\$ 161,795	\$ (743)
IDEA VI-B Handicapped	48,802	48,802	-
Supporting Effective Instruction	13,346	13,346	-
IDEA VI-B Special Needs Targeted Assistance	4,900	-	(4,900)
Total revenues	229,586	223,943	(5,643)
Expenditures:			
Salaries and benefits	211,340	210,597	743
Workshop expenses	18,246	13,346	4,900
Supplies and materials	-	-	-
Total expenditures	229,586	223,943	5,643
Excess of revenues over expenditures	\$ -	\$ -	\$ -



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COMPLIANCE SECTION  
PAVE SOUTHEAST RALEIGH CHARTER SCHOOL  
RALEIGH, NORTH CAROLINA  
JUNE 30, 2018

**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**

**DRAFT**

**Independent Auditors' Report**

To the Board of Directors  
PAVE Southeast Raleigh Charter School  
Raleigh, 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, the business-type activities, each major fund, and the aggregate remaining fund information of PAVE Southeast Raleigh Charter School, as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise PAVE Southeast Raleigh Charter School's basic financial statements, and have issued our report thereon dated XXXX.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered PAVE Southeast Raleigh 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 PAVE Southeast Raleigh 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 PAVE Southeast Raleigh 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*.

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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

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**Report on Compliance for Each Major State Program and on  
Compliance in Accordance with Uniform Guidance and the  
Implementation Act**



**Independent Auditors' Report**

To the Board of Directors  
PAVE Southeast Raleigh Charter School  
Raleigh, North Carolina

**Report on Compliance for Each Major State Program**

We have audited PAVE Southeast Raleigh 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 PAVE Southeast Raleigh Charter School's major State program as of and for the year ended June 30, 2018. PAVE Southeast Raleigh Charter School's major State program is identified in the summary of auditors' 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 PAVE Southeast Raleigh Charter School's major State program 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 PAVE Southeast Raleigh 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 the major State program. However, our audit does not provide a legal determination of PAVE Southeast Raleigh Charter School's compliance.

**Opinion on Each Major State Program**

In our opinion, PAVE Southeast Raleigh 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 its major State program as of and for the year ended June 30, 2018.

## Report on Internal Control over Compliance

**DRAFT**

Management of PAVE Southeast Raleigh 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 PAVE Southeast Raleigh Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our 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 the 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 a 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 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 significant deficiencies or material weaknesses. 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

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PAVE Southeast Raleigh Charter School  
Schedule of Findings and Questioned Costs  
For the year ended June 30, 2018

**DRAFT**

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)

**PAVE Southeast Raleigh Charter School  
Schedule of Findings and Questioned Costs  
For the year ended June 30, 2018**

**DRAFT**

**SECTION II. – FINANCIAL STATEMENT FINDINGS**

None reported.

**SECTION III. – STATE AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

**PAVE Southeast Raleigh Charter School  
Corrective Action Plan  
For the year ended June 30, 2018**

**DRAFT**

**SECTION II. – FINANCIAL STATEMENT FINDINGS**

None required.

**SECTION III. – STATE AWARD FINDINGS AND QUESTIONED COSTS**

None required.



**PAVE Southeast Raleigh Charter School  
Summary Schedule of Prior Years' Audit Findings  
For the year ended June 30, 2018**

**DRAFT**

There were no prior year findings.

**PAVE Southeast Raleigh Charter School**  
**Schedule of Expenditures of Federal and State Awards**  
**For the year ended June 30, 2018**

**DRAFT**

<u>Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass- Through Grantor's Number</u>	<u>Expenditures</u>
<b>FEDERAL GRANTS:</b>			
<u>US Department of Education</u>			
Passed Through the NC Department of Public Instruction:			
<b>Special Education Cluster</b>			
IDEA VI-B Handicapped	84.027	PRC 060	\$ 48,802
IDEA VI-B Special Needs Targeted Assistance	84.027	PRC 118	-
Total Special Education Cluster			48,802
<b>Title I, Part A Cluster</b>			
Title I, Grants to Local Education Agencies	84.010	PRC 050	161,795
Total Title I, Part A Cluster			161,795
Supporting Effective Instruction, Title II Part A	84.367	PRC 103	13,346
Total US Department of Education			223,943
<u>US Department of Agriculture</u>			
Passed Through the NC Department of Public Instruction:			
<b>Child Nutrition Cluster</b>			
National School Lunch Program	10.555	PRC 035	233,010
Total Child Nutrition Cluster			233,010
<b>TOTAL FEDERAL ASSISTANCE</b>			456,953
<b>NC STATE GRANTS:</b>			
<u>NC Department of Public Instruction</u>			
<b>State Public School Funds</b>			
Charter School Funds		PRC 036	1,839,756
<b>TOTAL STATE ASSISTANCE</b>			1,839,756
<b>TOTAL FEDERAL AND STATE AWARDS</b>			\$ 2,296,709

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

Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the PAVE Southeast Raleigh Charter School under the programs of the federal government and the State of North Carolina for the year ended June 30, 2018. The information in this SEFSA is presented in accordance with the requirements of Title 2 US 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 the PAVE Southeast Raleigh 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 position or cash flows of the PAVE Southeast Raleigh Charter School.

Indirect Costs

The School has not elected to charge a 10 percent de minimis 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 awards are reported on the accrual basis of accounting.