

THREE RIVERS CHARTER SCHOOL
COUNTY OF MENDOCINO
FORT BRAGG, CALIFORNIA

AUDIT REPORT

JUNE 30, 2017

Prepared By:

Lloyd Cross
Certified Public Accountant

THREE RIVERS CHARTER SCHOOL

JUNE 30, 2017

TABLE OF CONTENTS

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report on Financial Statements	1
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7
<u>SUPPLEMENTARY INFORMATION SECTION</u>	
Organization/ Board of Directors	13
Schedule of Average Daily Attendance	14
Schedule of Instructional Time	15
Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements	16
Notes to Supplementary Information	17
Independent Auditor's 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>	18
Independent Auditor's Report on Compliance with State Laws and Regulations	20
<u>FINDINGS AND RESPONSES SECTION</u>	
Schedule Of Audit Findings And Responses	22
Summary Schedule of Prior Year Audit Findings	24

FINANCIAL SECTION

Lloyd Cross
Certified Public Accountant
PO Box 508, Point Arena, CA 95468

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Three Rivers Charter School
Fort Bragg, California

I have audited the accompanying financial statements of Three Rivers Charter School as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Three Rivers 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.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Three Rivers Charter School, as of June 30, 2017, and the changes in net assets and cash flow for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Three Rivers Charter School's basic financial statements. The financial and statistical information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The financial and statistical information listed as supplementary information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the financial and statistical information listed as supplementary information is 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*, I have also issued my report dated December 5, 2017, on my consideration of the Three Rivers Charter School's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my 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 Three Rivers Charter School's internal control over financial reporting and compliance.



Lloyd Cross
Certified Public Accountant

December 5, 2017
Point Arena, California

THREE RIVERS CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

ASSETS

Cash and Equivalents	\$ 806,240
Accounts Receivable	
State Government	42,241
Miscellaneous	1,800
Prepaid Expenses	1,251
Fixed Assets Net of Accumulated Depreciation	22,864
	<hr/>
Total Assets	<u>\$ 874,396</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts Payable	\$ 69,700
	<hr/>
Total Liabilities	<u>69,700</u>

Net Assets

Temporarily Restricted	37,518
Net Investment in Capital Assets	22,864
Unrestricted	744,314
	<hr/>
Total Net Assets	<u>804,696</u>
	<hr/>
Total Liabilities and Net Assets	<u>\$ 874,396</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

THREE RIVERS CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES			
Federal Revenue			
Small Rural Schools Grant	\$ -	\$ 18,837	\$ 18,837
Local Control Funding Formula Sources			
State Aid	407,595	-	407,595
Education Protection Account	145,266	-	145,266
Cash In-Lieu of Property Taxes	377,973	-	377,973
State Revenue			
Special Education - State Apportionments	-	-	-
State Lottery Revenue	16,345	5,111	21,456
All Other	63,054	75,000	138,054
Local Revenue			
Interest Income	2,886	-	2,886
Other	40,618	-	40,618
Net Assets Released from Restrictions	68,763	(68,763)	
Total Revenues	<u>\$ 1,122,500</u>	<u>\$ 30,185</u>	<u>\$ 1,152,685</u>
EXPENSES			
Program Expenditures			
Educational Programs	757,077		757,077
Supporting Services			
Management and General Expenses	179,333		179,333
Fundraising Expenses	31,296		31,296
Total Expenses	<u>967,706</u>	<u>-</u>	<u>967,706</u>
Increase (Decrease) in Net Assets	154,794	30,185	184,979
Net Assets, Beginning of Year	612,384	7,333	619,717
Net Assets, End of Year	<u>\$ 767,178</u>	<u>\$ 37,518</u>	<u>\$ 804,696</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

THREE RIVERS CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Education</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Certificated Salaries	\$ 259,279	\$ 66,668		\$ 325,947
Classified Salaries	94,950	22,476		117,426
Employee Benefits	103,841	26,372		130,213
Supplies	32,371	1,592		33,963
Services and Operating Costs	169,776	61,503	\$ 31,296	262,575
Depreciation	2,842	722		3,564
Other Outgo	94,018			94,018
Total Expenses	<u>\$ 757,077</u>	<u>\$ 179,333</u>	<u>\$ 31,296</u>	<u>\$ 967,706</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

THREE RIVERS CHARTER SCHOOL

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Cash Flows from Operating Activities	
Cash Received from Federal, State and Local Sources	\$ 1,177,843
Cash Paid to Suppliers and Employees	(941,651)
Net Cash Provided by Operating Activities	<u>236,192</u>
Cash Flows from Investing Activities	
Interest Received	2,886
Payments for Acquisition of Fixed Assets	(17,820)
Net Cash From (Used By) Investing Activities	<u>(14,934)</u>
Net Increase in Cash and Cash Equivalents	221,258
Cash and Cash Equivalents, Beginning of Year	<u>584,982</u>
Cash and Cash Equivalents, End of Year	<u>\$ 806,240</u>

Reconciliation of Increase in Net Assets to Net Cash Provided by Operating Activities

Increase in Net Assets	\$ 184,979
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	3,564
Interest Received	(2,886)
Decrease in Accounts Receivable	28,044
Increase in Prepaid Expense and Other Current Assets	17,699
Decrease in Accounts Payable	4,792
Net Cash Provided by Operating Activities	<u>\$ 236,192</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

THREE RIVERS CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Three Rivers Charter School is organized for the establishment and operation of a K-12 Charter School according to Senate Bill 1448 and under the laws of the State of California as a non-profit organization. As such, the Charter School receives certain public funding but is generally exempt from state laws governing Public Schools. A central goal of Three Rivers Charter School is to maintain a vibrant learning community, and foster a culture of parental empowerment and “ownership” of the school, cooperation and regular communication between home and school, and a school environment that values each student and demands the best from him or her. This culture includes high levels of parental involvement with high expectations of the students’ families, just as the school empowers them to hold the school’s professional staff to the highest expectations. The Charter School believes this formula of high expectations of all members of the learning community is crucial to the success of each student entrusted to the school.

A. Reporting Entity

The Charter School includes all funds that are controlled by or dependent on the Charter School’s governing board for financial reporting purposes. The Charter School has considered all potential component units in determining how to define the reporting entity, using criteria set forth in generally accepted accounting principles. The Charter School determined that there are no potential component units that meet the criteria for inclusion within the reporting entity.

B. Basis of Accounting

Basis of Accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the general-purpose financial statements. Basis of Accounting relates to the timing of measurement made, regardless of the measurement focus applied.

Three Rivers Charter School’s records are kept on the accrual basis of accounting. Their revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered). The Charter School reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restrictions are accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

THREE RIVERS CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation

The financial statements are presented in conformity with FASB ASC 958. Under FASB ASC 958, the Charter School reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The Charter School has no permanently restricted net assets. Temporarily restricted assets represent program awards for specific programs in excess of qualified expenditures.

D. Revenue Recognition

Amounts received from the California Department of Education are recognized as revenue by the Charter School based on the average daily attendance (ADA) of students. Grant revenues are recognized as received.

E. Cash and Cash Equivalents

For financial statement purposes, the Charter School considers investments with a maturity at purchase of three months or less to be cash equivalents.

F. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By State law, the Charter School's Board of Directors must adopt a budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The Charter School's Board of Directors satisfied these requirements.

Formal budgetary integration was employed as a management control device during the year. The Charter School employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

THREE RIVERS CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Deposits and Investments

Cash balances held in commercial bank accounts are insured to \$250,000 by the Federal Deposit Insurance Corporation.

In accordance with Education Code Section 41001, the Charter School maintains substantially all its cash in the County Treasury. The county pools these funds with those of other school districts and charter schools in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the county either are secured by federal depository insurance or are collateralized.

I. Prepaid Expenditures

The Charter School has the option of reporting an expenditure for prepaid items either when purchased or during the benefiting period. The Charter School has chosen to report the expenditures during the period benefited.

J. Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided on the straight-line method over estimated useful lives. Maintenance and repairs are charged to expense as incurred.

K. Compensated Absences

Accumulated sick leave benefits are not recognized as liabilities of the Charter School. The Charter School's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable.

L. Income Taxes

Three Rivers Charter School is publicly supported and has applied for tax-exempt status under Internal Revenue Code Section 501(c)(3) and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements.

THREE RIVERS CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

M. Functional Allocation of Expenses

The cost of providing various programs and other activities has been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 2 - CASH

Cash in Commercial Banks

Cash balance held in commercial bank accounts are insured to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). These amounts are held within various financial institutions. As of June 30, 2017 the carrying amount of the Charter's accounts was \$158,961.

Cash in County Treasury

In accordance with *Education Code* Section 41001, the Charter School maintains substantially all of its cash with the County Treasury as part of the common investment pool.

The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reserve repurchase agreements.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment are summarized by major classification as follows:

Leasehold Improvements	\$11,297
Equipment	12,853
Construction in Progress	<u>17,820</u>
Subtotal, Property and Equipment	41,970
Less accumulated depreciation	<u>(19,106)</u>
Total	<u><u>\$22,864</u></u>

THREE RIVERS CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - EMPLOYEE RETIREMENT SYSTEMS

Plan Description and Provisions

State Teachers' Retirement System (STRS)

Plan Description. The Charter School contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 100 Waterfront Place, West Sacramento, CA 95610.

Funding Policy. Active plan members are required to contribute 10.25% of their salary and the Charter School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2016-2017 was 12.58% of annual payroll. The contribution requirements of the plan members are established by State statute. The Charter School's contributions to STRS for the fiscal year ending June 30, 2017 was \$38,994, and equals 100% of required contributions for the year. As of the latest actuarial valuation date (June 30, 2016) the plan was less than 65% funded.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

Joint Ventures

The Charter School participates in one joint venture under joint powers agreements (JPAs) with CharterSafe for liability insurance coverage. The relationships between the Charter School and the JPA are such that the JPA is not a component unit of the Charter School for financial reporting purposes.

The JPA arranges for and/or provides coverage for its members. The JPA is governed by a board consisting of a representative from each member. The board controls the operations of the JPA, including selection of management and approval of operating budgets independent of any influence by the members beyond their representation on the Board. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in the JPA.

THREE RIVERS CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 5 - COMMITMENTS AND CONTINGENCIES (CONCLUDED)

Operating Leases

The Charter School leases facilities for operating its programs. The cost of renting facility space during 2016-2017 was \$52,353.

State and Federal Allowance, Awards and Grants

The Charter School has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

NOTE 6 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 5, 2017, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION SECTION

THREE RIVERS CHARTER SCHOOL

FORT BRAGG, CALIFORNIA

JUNE 30, 2017

ORGANIZATION

The Three Rivers Charter School was established in 2011. Its charter was granted by the Fort Bragg Unified School District in May 2010, and most recently renewed by the District on September 9, 2013. The charter is due to be renewed again in 2018. The Charter School is located in Fort Bragg, California. The Charter School operated one school during 2016-2017 for grades one through twelve.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Jody Stickels	President	June 2019
Isabel Saldana	Secretary	June 2018
Jennifer Tyler	Treasurer	April 2019
Scott Schneider	Director	April 2019
Nikki Chaves	Director	June 2018
Jaimi Parsons	Director	April 2019

ADMINISTRATION

Roger Coy
School Director

THREE RIVERS CHARTER SCHOOL
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Second Period Report</u>	<u>Annual Report</u>
Regular ADA		
Transitional Kindergarten through Third	27	28
Classroom-Based ADA for TK through Third	23	23
Fourth through Sixth	38	37
Classroom-Based ADA for Fourth through Sixth	37	37
Seventh and Eighth	25	26
Classroom-Based ADA for Seventh and Eighth	23	23
Ninth through Twelfth	19	18
Classroom-Based ADA for Ninth through Twelfth	<u>18</u>	<u>17</u>
ADA Totals	<u>109</u>	<u>109</u>
Classroom-Based ADA Totals	<u>101</u>	<u>100</u>

Average daily attendance is a measurement of the numbers of pupils attending classes of the Charter School. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to the charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

THREE RIVERS CHARTER SCHOOL

SCHEDULE OF INSTRUCTIONAL TIME

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Grade Level	Minutes Requirement	Actual Minutes	Number of Days Traditional Calendar	Status
Grade 1	50,400	51,485	179	In Compliance
Grade 2	50,400	51,485	179	In Compliance
Grade 3	50,400	54,890	179	In Compliance
Grade 4	54,000	54,890	179	In Compliance
Grade 5	54,000	54,890	179	In Compliance
Grade 6	54,000	54,890	179	In Compliance
Grade 7	54,000	61,720	179	In Compliance
Grade 8	54,000	61,720	179	In Compliance
Grade 9	64,800	64,800	180	In Compliance
Grade 10	64,800	64,800	180	In Compliance
Grade 11	64,800	64,800	180	In Compliance
Grade 12	64,800	64,800	180	In Compliance

Charter Schools must maintain their instructional minutes at the levels required by Education Code Section 47612.5, reduced pursuant to the provisions of Education Code Section 46201.2(b) for the 2016-2017 school year.

THREE RIVERS CHARTER SCHOOL
RECONCILIATION OF UNAUDITED ACTUAL
FINANCIAL REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

June 30, 2017 Unaudited Actuals Financial Report - Alternative Form Net Assets	<u>\$ 786,876</u>
Adjustments and Reclassifications Increasing Net Assets:	
Understatement of Construction in Progress	<u>17,820</u>
Net Adjustments and Reclassifications	<u>17,820</u>
June 30, 2017 Audited Financial Statement Net Assets	<u><u>\$ 804,696</u></u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

THREE RIVERS CHARTER SCHOOL
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

A. Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes of the Charter School. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to Charter Schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

B. Schedule of Instructional Time

This schedule presents information on the amount of instructional time and number of days offered by the Charter and each applicable charter school and whether the Charter complied with the provisions of Education Code Sections 46201 through 46208, 47612 and 47612.5. The Charter has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day, and has not met its local control funding formula target.

C. Reconciliation of Annual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance as reported on the Unaudited Actual Financial Report to the audited financial statements.

INDEPENDENT AUDITOR'S 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
Three Rivers Charter School
Fort Bragg, California

I have audited, 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, the financial statements of Three Rivers Charter School, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Three Rivers Charter School's basic financial statements and have issued my report thereon dated December 5, 2017.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Three Rivers 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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Three Rivers Charter School's internal control. Accordingly, I do not express an opinion on the effectiveness of Three Rivers Charter 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 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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Three Rivers Charter School's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.



LLOYD CROSS
Certified Public Accountant

December 5, 2017
Point Arena, California

Lloyd Cross
 Certified Public Accountant
 PO Box 508, Point Arena, CA 95468

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Directors
 Three Rivers Charter School
 Fort Bragg, California

I have audited Three Rivers Charter School’s compliance with the types of compliance requirements described in the 2016-2017 *Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* that could have a direct and material effect on each of Three Rivers Charter School’s State government programs as noted below for the year ended June 30, 2017.

Management’s Responsibility

Management is responsible for compliance with the requirements of State laws and regulations.

Auditor’s Responsibility

My responsibility is to express an opinion on compliance with State laws and regulations of Three Rivers Charter School’s State government programs based on my audit of the types of compliance requirements referred to below. I conducted my 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 the 2016-2017 *Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*, prescribed in Title 5, California Code of Regulations, section 19810. Those standards require that I 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 the applicable State laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about Three Rivers Charter School’s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion. However, my audit does not provide a legal determination of Three Rivers Charter School’s compliance with those requirements.

In connection with the audit referred to above, I selected and tested transactions and records to determine the Charter School’s compliance with the state laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures Performed</u>
School Districts, County Office of Education and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	No (see below)
After School Education and Safety Program:	
General Requirements	Not Applicable
After School	Not Applicable
Before School	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	Not Applicable
Immunizations	Yes
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Non Classroom-Based Instruction/Independent Study	No (See Below)
Determination of Funding for Non Classroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Yes
Charter School Facility Grant Program	Yes

Lloyd Cross
Certified Public Accountant
PO Box 508, Point Arena, CA 95468

Procedures were not performed for California Clean Energy Jobs Act because the Charter School is in the preliminary phase and did not incur any expenditures during 2016-2017.

Procedures were not performed for Independent Study attendance because the average daily attendance generated by the program was below the level required for testing.

Opinion on Each State Government Program

In my opinion, Three Rivers Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its State government programs for the year ended June 30, 2017.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of my testing of compliance and the results of that testing based on the requirements of the *2016-2017 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



Lloyd Cross
Certified Public Accountant

December 5, 2017
Point Arena, California

FINDINGS AND RESPONSES SECTION

THREE RIVERS CHARTER SCHOOL
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiency(ies) identified that are not considered to be material weakness?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

State Awards

Internal control over state programs:		
Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiency(ies) identified that are not considered to be material weakness?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
Type of auditor's report issued on compliance for state programs:	Unmodified	

THREE RIVERS CHARTER SCHOOL
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Section II - Financial Statements Findings

No matters are reported.

Section III - Federal Award Findings and Responses

No matters are reported.

Section IV - State Award Findings and Responses

No matters are reported.

THREE RIVERS CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

There were no findings or recommendations considered reportable conditions determined as a result of the audit of Three Rivers Charter School for the year ended June 30, 2016