

**CHICO COUNTRY DAY CHARTER SCHOOL
(A CALIFORNIA NON-PROFIT
PUBLIC BENEFIT CORPORATION)**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)

JUNE 30, 2017

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FINANCIAL SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Chico Country Day Charter School
Chico, California

Report on the Financial Statements

We have audited the accompanying financial statements of Chico Country Day Charter School, a California non-profit public benefit corporation, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 December 6, 2017 on our consideration of Chico Country Day 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 that 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 Chico Country Day Charter School's internal control over financial reporting and compliance.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 6, 2017

CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

ASSETS

Current:	
Cash and Cash Equivalents (Note 2)	\$ 1,539,086
Accounts Receivable (Note 3)	544,311
Prepaid Expenses (Note 1G)	66,188
Total Current Assets	2,149,585
Long-Term:	
Property and Equipment: (Note 4)	
Buildings and Improvements	9,963,378
Leasehold Improvements	49,751
Equipment	21,907
Less: Accumulated Depreciation	(893,818)
Total Long-Term Assets	9,141,218
Total Assets	\$ 11,290,803

LIABILITIES AND NET ASSETS

LIABILITIES

Current:	
Accounts Payable	\$ 590,048
Deferred Revenue (Note 1I)	2,429
Long-Term:	
<i>Portion Due or Payable Within One Year:</i>	
Note Payable (Note 5)	83,760
Capital Lease (Note 6)	110,453
Total Current Liabilities	786,690
<i>Portion Due or Payable After One Year:</i>	
Note Payable (Note 5)	36,635
Capital Lease (Note 6)	3,705,760
Total Long-Term Liabilities	3,742,395
Total Liabilities	4,529,085

NET ASSETS

Unrestricted - Invested in Property and Equipment, net of Related Debt	5,325,005
Unrestricted	1,297,427
Temporarily Restricted	139,286
Total Net Assets	6,761,718
Total Liabilities and Net Assets	\$ 11,290,803

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

REVENUES	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
LCFF Sources:			
State Aid	\$ 2,136,772		\$ 2,136,772
Education Protection Account		\$ 726,622	726,622
In-Lieu of Property Taxes	1,275,904		1,275,904
Federal Revenues:			
Special Education - Local Assistance		61,105	61,105
Medi-Cal Administrative Activities	11,753		11,753
State Revenues:			
Special Education		162,295	162,295
Lottery	85,470	28,345	113,815
Mandated Costs	124,300		124,300
Other State	1,257		1,257
Local Revenues:			
Interest	4,371		4,371
Preschool and Afterschool Programs	274,492		274,492
Donations and Fundraising	138,372		138,372
Special Education Related Services	205,815		205,815
Other Local	38,921		38,921
Net Assets Released from Restrictions		(1,002,657)	(1,002,657)
Total Revenues	4,297,427	(24,290)	4,273,137
EXPENSES			
Program:			
Educational Programs	1,992,089		1,992,089
Supporting Services:			
General and Administrative	2,031,281		2,031,281
Total Expenses	4,023,370	0	4,023,370
Changes in Net Assets	274,057	(24,290)	249,767
Net Assets - Beginning of Year - (As Reclassified - See Note 12)	6,348,375	163,576	6,511,951
Net Assets - End of Year	\$ 6,622,432	\$ 139,286	\$ 6,761,718

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	\$ 249,767
Adjustments to Reconcile Change in Net Assets to	
Net Cash Provided by Operating Activities:	
Depreciation Expense	237,351
(Increase) Decrease in Assets:	
Accounts Receivable	(17,732)
Prepaid Expenses	(1,262)
Increase (Decrease) in Liabilities:	
Accounts Payable	(41,816)
Deferred Revenue	349
	426,657

CASH FLOWS FROM INVESTING ACTIVITIES:

Buildings and Improvements	(94,400)
Net Cash Used by Investing Activities	(94,400)

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on Note Payable	(110,433)
Payments on Capital Lease	(108,276)
Net Cash Used by Financing Activities	(218,709)
Net Increase in Cash and Cash Equivalents	113,548
Cash and Cash Equivalents, Beginning of Year	1,425,538
Cash and Cash Equivalents, End of Year	\$ 1,539,086

SUPPLEMENTAL DISCLOSURE:

Interest Paid	\$ 88,406
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

The Chico Country Day Charter School (Charter School), a California non-profit public benefit corporation, was formed to manage, operate, guide, direct and promote the Chico Country Day Charter School, a California Public School. The charter was originally approved by Chico Unified School District in 1996 and renewed in July 2004, and was granted tax exempt status by the State of California on June 4, 2004. The Charter School is funded principally through State of California public education monies received through the California Department of Education and Chico Unified School District (the District). The Charter School is governed by a seven (7) member Governing Board.

The District renewed the charter through June 30, 2020. The charter may be revoked by the District for material violations of the charter, failure to meet student outcomes identified in the charter, failure to meet generally accepted standards of fiscal management, or for any violation of any provision of the law.

B. Basis of Presentation

The Charter School's financial statements presentation follows the requirements of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) No. 958-205, which provides guidance for the classification of net assets. The amounts for each of the three classes of net assets are based on the existence or absence of donor-imposed restrictions. Net assets consist of the following:

Unrestricted - All resources over which the Governing Board has discretionary control to use in carrying on the general operations of the Charter School.

Temporarily Restricted - These net assets are restricted by donors to be used for specific purposes. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Permanently Restricted - These net assets are permanently restricted by donors and cannot be used by the Charter School. The Charter School does not have permanently restricted net assets.

C. Basis of Accounting

The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. The Charter School uses the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized in the accounting period in which the liability is incurred.

CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Revenue Recognition

Contributions and grants are recognized when the donor/grantor makes an unconditional promise to give to the Charter School or when received, whichever occurs first. Donor-restricted contributions and grants are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. Government grants are recognized as revenue in accordance with the terms of the applicable grant agreement, which is generally upon the incurrence of expenses related to the required services. Per-pupil funding from the California Department of Education is recognized as revenue by the Charter School based on the average daily attendance (ADA) of students.

E. Cash, Cash Equivalents and Concentration of Credit Risk

The Charter School maintains cash in commercial bank accounts that are insured to \$250,000 by the Federal Depository Insurance Corporation (FDIC). For purposes of the statement of cash flows, the Charter School considers all highly liquid investments with an initial maturity of three months or less are considered to be cash equivalents.

F. Accounts Receivable

The Charter School considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

G. Prepaid Expenses

Prepaid expenses reflect payments made in the current fiscal year for expenses related to future periods.

H. Property and Equipment

All acquisitions or improvements of property and equipment and all expenditures for repairs, maintenance, renewals, and betterments exceeding \$5,000 that materially prolong the useful lives of assets are capitalized. All capital assets are capitalized at cost, or in the case of donated equipment, fair market value on the date of receipt, and depreciated using the straight-line method over their estimated useful lives of 3 to 50 years.

I. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenses have been incurred. Deferred revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenses.

CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

J. Donated Materials, Services, and Facilities

In-kind contributions are recorded at their estimated fair values at the date of donation. Donated services are recorded when they create or enhance non-financial assets or require a specialized skill that the Charter School would otherwise need to purchase.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

L. Income Taxes

Chico Country Day Charter School has been granted tax-exempt status under Internal Revenue Code Section 501(c)(3) and Section 23701(d) of the California Revenue and Taxation Code. There is no unrelated taxable income and, accordingly, no provision for income taxes has been reflected in these financial statements.

M. Oversight

The Chico Unified School District receives 1% of the Charter School's annual revenues from LCFF sources for monitoring and supervisory responsibility.

N. 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 AND CASH EQUIVALENTS

Cash on Hand and in Banks \$ 1,539,086

Cash on Hand and in Banks

Cash on hand and in banks consists of all cash held by the Charter School and all cash maintained in commercial FDIC insured bank accounts within various financial institutions.

CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2017 consist of the following:

Federal Government	\$	15,276
State Government		362,707
Local Governments		166,303
Miscellaneous		<u>25</u>
Total	\$	<u>544,311</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment activity for the year ended June 30, 2017, is shown below:

		<u>Balances</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>June 30, 2017</u>
Buildings and Improvements	\$	9,868,978	\$ 94,400		\$ 9,963,378
Leasehold Improvements		49,751			49,751
Equipment		<u>21,907</u>			<u>21,907</u>
Totals at Historical Cost		<u>9,940,636</u>	<u>\$ 94,400</u>	<u>\$ 0</u>	<u>10,035,036</u>
Less Accumulated Depreciation for:					
Buildings and Improvements		625,070	234,863		859,933
Leasehold Improvements		9,490	2,488		11,978
Equipment		<u>21,907</u>			<u>21,907</u>
Total Accumulated Depreciation		<u>656,467</u>	<u>237,351</u>	<u>0</u>	<u>893,818</u>
Property and Equipment, net	\$	<u>9,284,169</u>	<u>\$ (142,951)</u>	<u>\$ 0</u>	<u>9,141,218</u>

NOTE 5 - NOTE PAYABLE

On July 18, 2014, the Charter School borrowed \$400,000 at an interest rate of 5.25% to finance construction costs. Future minimum note payments are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Note</u> <u>Payments</u>
2018	\$ 91,312
2019	<u>45,656</u>
Total payments	136,968
Less amounts representing interest	<u>(16,573)</u>
Present value of net note payments	<u>\$ 120,395</u>

CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 6 - CAPITAL LEASE

On April 13, 2011, the Charter School entered into a Charter School Facilities Program (CSFP) funding agreement with the State Allocation Board and the California School Finance Authority. Under the terms of the agreement, the California School Finance Authority agreed to provide financing to cover the Charter School's fifty percent (50%) local matching share of approved project costs related to the construction and acquisition of certain Charter School facilities. During 2013-14, the Charter School received \$3,977,825 from the California School Finance Authority in the form of lease proceeds.

In accordance with the terms of the agreement, the Charter School was not required to make lease payments until after the final terms of the lease were determined. The final terms of the agreement were finalized at an interest rate of 2% in the 2015-16 fiscal year. Future minimum lease payments are as follows:

Year Ended <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	\$ 110,453	\$ 75,775	\$ 186,228
2019	112,673	73,555	186,228
2020	114,938	71,290	186,228
2021	117,248	68,980	186,228
2022	119,605	66,623	186,228
2023-2027	635,066	296,073	931,139
2028-2032	701,508	229,631	931,139
2033-2037	774,901	156,238	931,139
2038-2042	855,973	75,166	931,139
2043-2047	273,848	5,494	279,342
Totals	<u>\$ 3,816,213</u>	<u>\$ 1,118,825</u>	<u>\$ 4,935,038</u>

The cost of the facilities was \$7,830,542, and accumulated depreciation was \$469,833 as of June 30, 2017, resulting in a net book value of \$7,360,709.

NOTE 7 - OPERATING LEASES

The Charter School has entered into various operating lease agreements for copiers, computers, and a server with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the Charter School will cancel any of the agreements prior to the expiration dates.

NOTE 8 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 8 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

The Charter School contributes to the State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. 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. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from the CalSTRS Executive Office, 100 Waterfront Place, West Sacramento, California 95605.

Funding Policy

Active plan members first hired on or before December 31, 2012, are required to contribute 10.25% of their salary, and members first hired on or after January 1, 2013, are required to contribute 9.205% 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 CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2016-17 was 12.58% of annual payroll. The contribution requirements of the plan members are established by State statute. The Charter School's contributions to CalSTRS for the fiscal years ended June 30, 2017, 2016, and 2015 were \$244,059, \$206,620, and \$169,381, respectively, and equal 100% of the required contributions for each year.

B. California Public Employees' Retirement System (CalPERS)

Plan Description

The Charter School contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, CA 95811.

CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 8 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

B. California Public Employees' Retirement System (CalPERS) (Concluded)

Funding Policy

Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary. The California Public Employee's Pension Reform Act (PEPRA) specifies that new members entering the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.0% 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 CalPERS Board of Administration. The required employer contribution rate for fiscal year 2016-17 was 13.888%. The contribution requirements of the plan members are established by State statute. The Charter School's contributions to CalPERS for the fiscal years ended June 30, 2017, 2016, and 2015 were \$92,874, \$72,740, and \$68,169, respectively, and equal 100% of the required contributions for each year.

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The Charter School has elected to use Social Security as its alternative plan. Contributions made by the Charter School and an employee vest immediately. Both the Charter School and participating employees were required to contribute 6.2% of an employee's gross earnings, up to the annual limit.

NOTE 9 - RISK MANAGEMENT

The Charter School is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Charter School has purchased, through the Charter Safe JPA, various insurance policies for property and liability and workers' compensation insurance coverage. There were no significant reductions in coverage during the year.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

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

B. Litigation

The Charter School is subject to various legal proceedings and claims. In the opinion of management, the ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the Charter School.

CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - ECONOMIC DEPENDENCY

The Charter School received \$72,000 from the Parent Teacher Partnership. These donations are subject to voluntary public contributions, and were used to support various programs within the Charter School.

NOTE 12 - RECLASSIFICATION OF NET ASSETS

The beginning net assets balance has been reclassified between unrestricted and temporarily restricted net assets. The effects of the reclassified net assets balance on the current year financial statements are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Net Assets Balances - July 1, 2016 (As originally Stated)	\$ 6,511,951	\$ 0
Reclassification of Net Assets Balances	<u>(163,576)</u>	<u>163,576</u>
Net Assets Balances - July 1, 2016 (as restated)	<u><u>\$ 6,348,375</u></u>	<u><u>\$ 163,576</u></u>

NOTE 13 - SUBSEQUENT EVENTS

The Charter School's management has evaluated events or transactions that occurred for possible recognition or disclosure in the financial statements from the balance sheet date through December 6, 2017, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that require disclosure in or adjustment to the current year financial statements.

SUPPLEMENTARY INFORMATION SECTION

CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)

ORGANIZATION/BOARD OF DIRECTORS/ADMINISTRATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

ORGANIZATION

The Chico Country Day Charter School was established in June 1996 through authority established in Education Code Section 47600, and became an independent 501(c)(3) organization in 2004. The Charter School is located in Chico, California. The Charter School currently operates a K-8 elementary school and is sponsored by the Chico Unified School District.

BOARD OF DIRECTORS

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Charles Thompson	Chair	2019
Jessika Lawrence	Vice Chair	2019
Darien Sterling	Secretary	2017
Lowell Daun	Treasurer	2019
Brian Ausland	Member	2019
Michele Mittman	Member	2019
Chris Constantin	Member	2019

ADMINISTRATION

Margaret Reece
Chief Business Officer

Wendy Fairon
Director of Education

Colly Fischer
Dean of Students

CHICO COUNTRY DAY CHARTER SCHOOL
 (A California Non-Profit Public Benefit Corporation)
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>Grade Level</u>	<u>P-2 Report</u>		<u>Annual Report</u>	
	<u>Classroom- Based</u>	<u>Totals</u>	<u>Classroom- Based</u>	<u>Totals</u>
TK / K - 3	239.70	241.79	238.60	240.48
Grades 4-6	179.09	180.36	179.04	180.23
Grades 7-8	119.02	121.17	118.61	120.88
Special Education - NPS / LCI	0.99	0.99	0.98	0.98
Totals	<u>538.80</u>	<u>544.31</u>	<u>537.23</u>	<u>542.57</u>

CHICO COUNTRY DAY CHARTER SCHOOL
 (A California Non-Profit Public Benefit Corporation)

SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>Grade Level</u>	<u>Minutes Required</u>	<u>2016-17 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	36,000	45,220	177	N/A	In Compliance
Grade 1	50,400	53,570	177	N/A	In Compliance
Grade 2	50,400	53,570	177	N/A	In Compliance
Grade 3	50,400	53,570	177	N/A	In Compliance
Grade 4	54,000	56,375	177	N/A	In Compliance
Grade 5	54,000	56,375	177	N/A	In Compliance
Grade 6	54,000	58,880	177	N/A	In Compliance
Grade 7	54,000	58,880	177	N/A	In Compliance
Grade 8	54,000	58,880	177	N/A	In Compliance

SEE NOTES TO SUPPLEMENTARY INFORMATION

CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Program Educational Programs	Supporting Services General and Administrative	Total Expenses
Teachers' Salaries	\$ 896,122		\$ 896,122
Supervisor's and Administrator's Salary		\$ 331,278	331,278
Instructional Aides' Salaries	178,579	349,686	528,265
Clerical and Support Salaries		203,823	203,823
Employee Benefits	532,255	324,045	856,300
Books and Supplies	53,721	32,860	86,581
Services and Other Operating Expenses:			
Travel and Conferences	18,212	7,820	26,032
Dues and Memberships		10,153	10,153
Special Education Contribution	155,097		155,097
Staff Development	12,247		12,247
Insurance		55,459	55,459
Advertising		6,246	6,246
Computer Related Services	60,925	22,792	83,717
Rent		1,387	1,387
Professional Services	62,940	72,414	135,354
Communications		17,789	17,789
Copy Machine Related Services		27,102	27,102
Utilities and Housekeeping Services		86,503	86,503
Repairs and Maintenance		108,488	108,488
Miscellaneous		2,176	2,176
Furniture and Equipment	21,991	4,208	26,199
Debt Service - Interest and Fiscal Charges		88,406	88,406
Oversight Fee		41,295	41,295
Depreciation		237,351	237,351
Total Expenses	<u>\$ 1,992,089</u>	<u>\$ 2,031,281</u>	<u>\$ 4,023,370</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)

RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Auditor's Comments

The audited financial statements were in agreement with the Annual Financial Report for the fiscal year ended June 30, 2017.

CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)

NOTES TO SUPPLEMENTARY INFORMATION

FOR THE FISCAL 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 classroom-based and non-classroom-based students reported by grade span.

B. Schedule of Instructional Time

Education Code Section 47612.5 requires classroom-based charter schools to offer a minimum number of minutes of instruction. This schedule presents information on the amount of instructional time offered by the Charter School and whether the Charter School complied with the provisions of Education Code Section 47612.5(a)(1).

C. Schedule of Functional Expenses

The schedule of functional expenses provides a more detailed breakdown of the Charter School's program and supporting service expenses.

D. Reconciliation of Annual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the net assets as reported in the Annual Financial Report to the audited financial statements.

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

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
Chico Country Day Charter School
Chico, California

We have audited, in accordance with the 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 Chico Country Day Charter School, a California non-profit public benefit corporation, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 6, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Chico Country Day 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Chico Country Day Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs, that we consider to be a significant deficiency, as noted in **Finding 2017-001**.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chico Country Day 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*.

Charter School's Response to Finding

Chico Country Day Charter School's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Chico Country Day Charter School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 6, 2017

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Directors
Chico Country Day Charter School
Chico, California

Report on State Compliance

We have audited Chico Country Day Charter School's compliance with the types of compliance requirements described in the *2016-17 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 the Charter School's state programs identified on the following page for the fiscal year ended June 30, 2017.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Charter School's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2016-17 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*, prescribed in the *California Code of Regulations*, Title 5, section 19810 and following. Those standards 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 the Charter School's state programs occurred. An audit includes examining, on a test basis, evidence about Chico Country Day Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Chico Country Day Charter School's compliance with those requirements.

In connection with the audit referred to above, we selected and tested transactions and records to determine Chico Country Day Charter School's compliance with state laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures Performed</u>
Local Education Agencies Other Than Charter Schools:	
Attendance	Not Applicable
Teacher Certification and Misassignments	Not Applicable
Kindergarten Continuance	Not Applicable
Independent Study	Not Applicable
Continuation Education	Not Applicable
Instructional Time	Not Applicable
Instructional Materials	Not Applicable
Ratios of Administrative Employees to Teachers	Not Applicable
Classroom Teacher Salaries	Not Applicable
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Not Applicable
School Accountability Report Card	Not Applicable
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Not Applicable
Transportation Maintenance of Effort	Not Applicable
Mental Health Expenditures	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	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	Not Applicable
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	No (see below)
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Yes
Charter School Facility Grant Program	Not Applicable

We did not perform procedures for the nonclassroom-based instruction/independent study for charter schools because the ADA claimed by the Charter School did not exceed the thresholds that require testing.

Opinion on State Compliance

In our opinion, Chico Country Day Charter School complied, in all material respects, with the types of compliance requirements referred to above 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 our testing of compliance and the results of that testing based on the requirements of the *2016-17 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 6, 2017

FINDINGS AND QUESTIONED COSTS SECTION

CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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 weaknesses identified?	_____ Yes	___X___ No
Significant deficiencies identified not considered to be material weaknesses?	___X___ Yes	_____ None reported

Noncompliance material to financial statements noted? _____ Yes X No

State Awards

Any audit findings required to be reported in accordance with the *2016-17 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*? _____ Yes X No

Type of auditor's report issued on compliance for state programs: Unmodified

CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS

2017 - 001 / 30000

SIGNIFICANT DEFICIENCY

PAYROLL

Criteria: All charter schools should establish appropriate accounting controls to ensure that payroll transactions are performed in a complete and accurate manner. In addition, the accounting controls should be designed to detect and correct payroll errors in a timely manner.

Condition: The current accounting controls over payroll transactions are inadequate and are not designed to detect and correct errors in a timely manner. As a result, we identified a payroll calculation error that occurred during fiscal year 2016-17 that was not detected or corrected by the District.

Questioned Costs: None. The Charter School underpaid one employee \$6,919.

Context: The condition was noted for one employee throughout fiscal year 2016-17.

Effect: When effective accounting controls are not in place, accounting errors and/or improprieties are more likely to occur and not be detected in a timely manner.

Cause: The current accounting controls do not appear to require a detailed review to be performed by someone other than the individual who processed the payroll.

Recommendation: The accounting controls established for processing payroll should require a detailed review to be performed by someone other than the individual who is responsible for processing the payroll. In addition, the Charter School should pay the employee \$6,919 as soon as possible.

Charter Response: Chico Country Day School has established procedures that ensures appropriate accounting controls in regards to payroll transactions are performed accurately and completely. The controls now require three people to oversee reviews of contracts compared to payroll records within the first month of the new fiscal year. In addition, the Charter School paid the employee \$6,919 as soon as the error was discovered.

CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

There are no matters to report for the fiscal year ended June 30, 2017.

CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)

STATUS OF PRIOR YEAR RECOMMENDATIONS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>Recommendations</u>	<u>Current Status</u>	<u>Explanation If Not Fully Implemented</u>
<u>STATE AWARD</u>		
2016 - 001 / 40000		
<u>UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS</u>		
The Charter School should establish procedures to ensure that pupil counts reported on the CALPADS "1.18 - FRPM/English Learner/Foster Youth - Student List" report are supported by appropriate documentation.	Implemented	